Do You Need to Sign Up for Medicare at 65 if You're Still Working?

141 Sully's Trail
Pittsford, N.Y. 14534
Office: 585-248-5700
Toll Free: 877-416-5700
Fax: 585-248-5703
www.ParksCapital.com
www.youtube.com/c/ParksCapital

–Elaine Floyd, CFP®

For the past four decades, age 65 marked the time when you would leave your job, start your pension, file for Social Security, and enroll in Medicare. Not anymore.

Since then, the retirement landscape has changed. Full retirement age for Social Security is 66 or 67. The traditional corporate pension has given way to the 401(k) plan, which is generally taken as a lump sum upon leaving employment at any age, rather than monthly payments beginning at age 65. Even more significant is the fact that many baby boomers are continuing to work well into their late 60s and even 70s.

The one thing that hasn't changed is the eligibility age for Medicare. It remains 65. In fact, most people are required to sign up for Medicare at 65 or face possible penalties. Why is this? It's because the only way this national health insurance system can work is if everyone, the healthy and the sick, participate. It doesn't work if everyone waits until they get sick to sign up. This is why Medicare imposes late-enrollment penalties on people who fail to enroll in Medicare when they are supposed to.

Employer-Based Coverage

Now, there is one exception to the requirement to sign up for Medicare at age 65. If you are still working, or your spouse is still working, and you are covered by an employer group plan that covers 20 or more employees, you do not need to enroll in Medicare at 65. You may continue to be covered by your employer group plan as long as you or your spouse is still working. But once that employer coverage ends, you must enroll in Medicare or face possible penalties.

This means that if you are retired and covered by a retiree plan or COBRA when you turn 65, you must enroll in Medicare. If you are retired or self-employed and covered by an individual health insurance policy when you turn 65, you must enroll in Medicare. If you are still working and covered by an employer plan that covers fewer than 20 employees when you turn 65, you must enroll in Medicare. The only exception to the requirement to enroll in Medicare at 65 is if you are covered by an employer group plan that covers 20 or more employees.

What will happen if you don't enroll in Medicare when you are supposed to?

Two things. One, you may be charged a late-enrollment penalty when you eventually do sign up. This penalty will be added to your regular Part B premium and continues for the rest of your life. The penalty is 10% of the Part B premium for every 12 months you should have had Part B but didn't.

The second consequence is more dire. You may not have health insurance. In the United States today, Medicare is the primary payer for everyone over age 65 unless they are covered by an employer group plan that covers 20 or more employees. If you are not covered by such a plan and you incur a medical expense, the bill will be sent to Medicare. If you are not enrolled in Medicare, Medicare won't pay the bill. And any other insurance you might have, such as an individual health insurance policy or a small group health plan, won't pay the bill either because it is Medicare's responsibility. And they may not even pay their own share of the bill (typically the 20% that remains after Medicare pays its share).

If you are still working past age 65 and wondering how your health insurance works with Medicare, talk to your benefits administrator or current health insurance company. Even if you remain covered by an employer group plan, you may be advised to sign up for Part A. Or you may need to sign up for Part A and B transition to a different type of health insurance policy that works with Medicare. The thing you can't do is ignore Medicare once you turn 65.

Elaine Floyd, CFP®, is the Director of Retirement and Life Planning, Horsesmouth, LLC., where she focuses on helping people understand the practical and technical aspects of retirement income planning.