

# Paying a Medicare Penalty

By Tammy Flanagan

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Over the years, I've written a number of columns about the wisdom of enrolling in "original Medicare" — Part A (hospital insurance) and Part B (medical insurance). Most of the questions I get on this subject revolve around whether it makes sense to sign up for Part B, and how and when to do it.

Here, for example, is an email I recently received from a retiree who may learn that even after paying a late enrollment penalty, signing up for Part B can actually save her money:

I am a 67-year-old female, retired in 2009 and I have Blue Cross/Blue Shield standard FEHBP coverage. I'm healthy and I did not sign up for Medicare Part B when I turned 65 two years ago. In 2015 I had an emergency room visit and overnight hospital stay followed by two surgeries in 2016. I paid \$4,000 out of pocket in 2015 and \$5,000 last year. I know I would have to pay a penalty to join Medicare Part B now, but I'm wondering if I should sign up anyway?

I told her it might be worth paying for Medicare Part B even though there is a [penalty](#) since she missed the [initial enrollment period](#) that started when she turned 65. She will have to pay this penalty for as long as she has Part B. The monthly Part B premium goes up 10 percent for each full 12-month period that she delayed Part B enrollment. So her premium will be adjusted by 20 percent, taking it from the standard rate of \$134 per month to \$160.

Although this is an added expense, she can save some of this by switching FEHBP plans from Blue Cross standard option (which costs \$229 a month for self only coverage) to a less expensive plan, such as Aetna Direct (\$120 a month for self only), which is designed to work with Medicare Parts A and B. Other FEHBP plans also provide incentives for A and B enrollment, such as waiver of deductibles, copayments and coinsurance for inpatient and outpatient medical services.

Such Medicare enrollment incentives can save the \$4,000 to \$5,000 that this retiree had to pay out of pocket in the past two years for her medical care. Once you pay the FEHBP premium and Medicare Part B premium (there is no premium for Part A if you or your spouse paid Medicare taxes while working), your only other out of pocket expenses will be prescription drug copays (which are sometimes less expensive if you are enrolled in Part B) and dental and vision costs. (You can also get supplemental dental and vision coverage through the [FEDVIP program](#).)

## Signing Up

Generally, it's easy to enroll in Medicare. In most cases, you'll automatically get Part A and Part B starting the first day of the month you turn 65 if you are already receiving Social Security retirement benefits. If you're automatically enrolled, you'll get [your red, white, and blue Medicare card](#) in the mail three months before your 65th birthday. If you're not automatically enrolled, you can [enroll online or by calling or visiting Social Security](#) three months before or up to three months following your 65th birthday.

To [enroll in Part B](#) after you are already retired and older than 65, you'll need to use the general enrollment period that occurs every year between Jan. 1 and March 31. You can enroll during this period if you didn't sign up when you were first eligible and aren't eligible for a special enrollment period.

If you're over 65, still working and covered by health insurance through current employment (or the current employment of your spouse), then you may delay Part B enrollment without penalty as long as you enroll anytime during your employment or during a special enrollment period lasting for eight months following you or your spouse's retirement.

If you sign up during the special enrollment period, you need to notify your FEHBP plan. I recently received another email from a retiree who learned this the hard way:

Apparently, even though I signed up for Part B Medicare as of Oct. 1 after retiring as of Sept 30, I didn't know that I had to notify my FEHBP plan that I'd retired and now had Part B as primary. I just spent an hour on the phone with Medicare trying to figure out a claim that had been denied and apparently this had something to do with it. ... I'd just assumed that retirement was not the issue [and] that Part B automatically kicked in as primary when I signed up for it, and FEHBP would automatically would lapse to secondary. Apparently that's not the case.

Check Section 9 of your FEHBP plan brochure for information about notification requirements when you enroll in Medicare. You should call the number on the back of your FEHBP identification card to inform your provider of Part B enrollment.

If you want to learn more about the coordination between FEHBP and Medicare, you can watch an archived presentation of a [webinar that I presented for the National Active and Retired Federal Employees Association](#). You also can find a storehouse of information compiled by the [NARFE New York Federation](#) on its newly renovated website.

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