

AUGUST 19, 2020

## MEDICARE AND EMPLOYER-PROVIDED HEALTH INSURANCE: NOT ALWAYS AN IDEAL PAIRING

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People who know me know that I love wine; I often get asked what is my favorite wine, to which I usually reply that it depends on what I am eating with it. You see, my preferred way to drink wine is with food, and I enjoy trying to figure out how to best match one with the other. On a rainy day a few pre-COVID-19 months ago, I met a friend at an excellent Seattle wine bar where we shared some French goat cheese on fresh bread with a bottle of a southern Rhone red wine – man was that delicious. As the summer begins to fade and fall approaches, I love grilling some salmon to serve on a bed of lentils with an Oregon pinot noir. With a recently devoured spicy Asian dish, a German riesling worked fantastically! But sometimes I miss on the pairing, and the two simply do not work together. Chardonnay with your enchiladas, or cabernet with that chocolate cake? Not so much. The fun comes with trying and figuring out what you do and don't like, and I will share some basic tips for matching wine and food later on.

Alas, as hard as I try, this is not an article about wine – that will have to be a side-bar discussion. But it is my segue into informing you about a pairing that sometimes does not work so well: Medicare and employer-provided health coverage.

### MORE PEOPLE WORKING PAST RETIREMENT AGE

Based on calls from my clients, more and more people are deciding to work past 65, the age when we are eligible for Medicare coverage. Perhaps this is driven by financial

need, or maybe it is a choice (if my wife has a choice, I will keep working); either way, I am regularly asked, “Should I sign up for Medicare when I reach age 65 or stay on my employer’s medical plan? Does it make sense to have both? Do they work well in tandem?”



**“Should I sign up for Medicare when I reach age 65 or stay on my employer’s medical plan? Does it make sense to have both? Do they work well in tandem?”**

A report published last year by United Income states that the percentage of retirement-age Americans in the labor force has doubled since 1985. As of 2019, over 20% of people age 65 or older are either in the workplace or looking for work. This trend is expected to continue, estimating that 13 million Americans age 65 and older will be in the workplace by 2024.

As more of your employees continue their employment past 65, how should you counsel them when asked if they should enroll on Medicare or remain on the company’s health plan? Too many people are not fully informed when facing this choice, so let’s step back and consider a few deciding factors, including premiums and out-of-pocket costs (e.g., deductibles, copays, coinsurance), the non-compatibility of Medicare with HSAs, and the question of when to enroll in Medicare.

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#### MEDICARE COVERAGE AND COST BREAKDOWN

There are two main ways to get Medicare coverage - Original Medicare, the most common approach, and Medicare Advantage. Original Medicare has several pieces you put together for comprehensive coverage, whereas Medicare Advantage is a bundled, all-in-one alternative. My focus below will be on Original Medicare.

Many people are inclined to go on Medicare because it is free, but that is not entirely true. There are several components in Original Medicare that must be considered when comparing it to an employer's plan, and all but one have a cost.



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Medicare Part A is insurance for inpatient care, skilled nursing, hospice, and home care. If you are a U.S. citizen or permanent resident who's been living in the U.S. for at least five years and worked and paid Medicare taxes for at least 10 years, then you qualify to receive Medicare part A coverage at 65 and do not pay a premium for this coverage.

Part B provides coverage for outpatient services such as physician visits, urgent care, and preventative care. There is a premium for Part B that varies based upon your income and is subject to change every year. It is currently \$144.60 per month for individual tax filers who earn up to \$87,000 a year and up to \$174,000 for those who are married and file jointly. The price goes up for higher incomes.

Part D is coverage for prescription drugs. It has a premium that averages nationally around \$30 per month, and also scales up for higher incomes and varies based upon which plan you choose.

And finally, many people choose to tack on a Medicare supplement (a.k.a. Medigap) plan, which pays for some of the healthcare costs Medicare does not cover, including deductibles, copays, and coinsurance. There are 10 different supplemental plan designs available through private insurers, and their prices vary based upon several factors. According to eHealth Medicare, the average national premium in 2019 was \$152 per month, although the average cost in our marketplace for the most common supplemental plan is closer to \$190 per month.

#### COMPARING MEDICARE AND EMPLOYER-PROVIDED INSURANCE

So, in order to compare the premium cost of Medicare to an employer-sponsored medical plan, the individual needs to add up the costs of these various components. Considering that the average single employee-paid premium for employer plans in the Northwest in 2019 was \$99 per month, it will often make little to no sense for the employee to opt off the employer plan to go on Medicare.

As more employer plans move towards higher deductibles, it is also reasonable to consider the out-of-pocket costs of Medicare coverage. Part A's annual deductible in 2020 is \$1,408, and the deductible for Part B is \$198. So you aren't necessarily getting a lower deductible with Medicare, either.

But if I can get Medicare Part A for free, why not enroll in at least that part - can't I have both that and my employer's medical plan? Yes, but here's a potential issue: enrolling in Medicare, any part of it, means you are no longer able to contribute to or receive any employer money into a health savings account (HSA). Workers reaching age 65 may not want to forego the employer contributions into their account nor lose the fabulous tax benefits of making their own HSA contributions, and enrollment in Medicare is considered disqualifying coverage. Note, however, that Medicare enrollment does not preclude an employee

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from enrolling in a high deductible health plan itself without an HSA or continuing to request reimbursements out of their existing HSA.

Several people have told me that they did not enroll in Medicare, but are receiving Social Security benefits. However, you are enrolled in Part A automatically if you start receiving Social Security benefits. Employees either need to postpone their election of Social Security benefits in order to keep making and receiving HSA contributions, or stop making those contributions.

If an employee decides they want both the employer plan and Medicare, they should be educated on how the plans coordinate coverage. If their employer has 20 or more employees, the company's plan is considered the primary payer and will pay first, while Medicare pays second. Based upon Medicare's very complex secondary payer rules, the reality is that there are typically minimal coordination payments made by Medicare. For this reason alone, it usually does not make sense to pay for Medicare when a person remains covered under their employer's plan.

However, if the employer has fewer than 20 employees, Medicare will be the primary payer. Some insurance carriers assume the participant elects Medicare and will pay accordingly, which can expose the employee to significant out-of-pocket costs. In this case, it may make sense for the employee to choose Medicare even though this results in them no longer being eligible to make or receive HSA contributions.

#### ENROLLMENT AND ELIGIBILITY CONSIDERATIONS

A person becomes eligible to enroll on Medicare in the three months before the month in which they turn 65, in the month they turn 65, and the three following months. If they sign up outside of this seven-month window, they could be subject to late enrollment penalties, which increase the monthly premium by 10% for every year they

delay enrollment. However, if someone is covered under their employer's medical plan (this does not include COBRA and is something to be very careful about) and decides to delay enrolling on Medicare, they have an



#### Nine Tips For Pairing Wine & Food from Wine Folly: The Essential Guide to Wine

If you're just getting started, you'll find these tried-and-true methodologies to produce consistently great pairings. That said, remember there are no hard-and-fast rules and, as you become more familiar with different wines, you'll become confident and can experiment with breaking any rules - gamay with trout anyone?

1. The wine should be more acidic than the food.
2. The wine should be sweeter than the food.
3. The wine should have the same flavor intensity as the food.
4. Red wines pair best with bold-flavored meats (e.g. red meat).
5. White wines pair best with light-intensity meats (e.g. fish or chicken).
6. Bitter wines (e.g. red wines) are best balanced with fat.
7. It is better to match the wine with the sauce than with the meat.
8. More often than not, white, sparkling and rosé wines create contrasting pairings.
9. More often than not, red wines will create congruent pairings.

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eight-month enrollment window that starts after their employment ending, or their employer-sponsored coverage terminating, whichever is earlier.

Note that Medicare Part A coverage will become effective on a retroactive basis, and potentially cause issues with HSA eligibility. Medicare Part A, along with Social Security, can become effective up to six months earlier than the enrollment request date for those who have delayed enrollment. This retroactive enrollment disqualifies the employee from making or receiving HSA contributions in each of those months they have Medicare coverage. To avoid these tax penalties, they should be advised to stop making HSA contributions six months before applying for Social Security and Medicare.

When an employee becomes eligible for Medicare, it is wise for them to fully compare the benefits and costs against their employer-sponsored medical coverage. It

will make sense to move to Medicare for some people, while for others, it will be better to remain on their employer's plan. Others may decide that the two can be added together harmoniously - kind of like pairing your favorite COVID-19 (darn, I promised myself I wouldn't bring up that subject) snack of Tostitos (with a hint of lime) and riesling or salty popcorn and Champagne. Let's face it, if you miss on the wine and food pairing, you haven't lost too much, but if you mess up on the health insurance decision, the costs can be much higher, so be sure to get all the information you and your employees need. Please ask an experienced employee benefits broker for assistance. If you have a favorite food and wine pairing, you can email me at [kenorris@psfinc.com](mailto:kenorris@psfinc.com). I am always up for trying something new.

## References and Resources

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