

Medicare Penalties and Savings Programs

Eligibility for Medicare Part B and Part D

Once a person has been eligible for 24 months of Social Security Disability Insurance benefits, he or she becomes eligible for Medicare. Medicare is a federal health insurance program for persons who are elderly or disabled, and persons with end stage renal failure.

- For most individuals, *Medicare Part A* has no premium and covers a range of inpatient care.
- *Medicare Part B* covers outpatient services, including physician services, and requires a premium payment. That premium payment is \$109 per month for most beneficiaries in 2016. New beneficiaries will have premium payments of \$134.
- *Medicare Part D* is the Medicare prescription drug program, which also has a monthly premium (amount varies based on the prescription drug program selected).
- A person can decide to decline Part B or Part D, but can generally only later enroll during certain “enrollment periods” and then may be required to pay significant penalties to enroll. The enrollment period is usually the first quarter of a new year for Part B and is between October 15th and December 7th for Part D (but these periods can change).

Penalties for Late Enrollment in Medicare Part B and Part D

Part B late enrollment:

- If a person declines Part B and later decides to enroll, they usually must pay a significant penalty.
- The enrollment penalty is 10 percent of the premium for each 12-month period he or she could have had Part B coverage, but did not take it. The penalty is for life, and the person will always pay more for Part B coverage than others.

Part D late enrollment:

- The penalty for late enrollment in the Medicare Part D prescription program is a 1 percent per month cumulative penalty.
- The Part D penalty will apply to the person’s monthly fee every month thereafter.

Exceptions to the Penalty Rules

If the Medicare beneficiary or a spouse is employed and the beneficiary is covered by an employer’s group health plan, he or she may not need Part B until they are no longer covered under the employer’s plan due to end of employment. If the employer had more than 100 employees and the person signs up for **Medicare Part B** within eight months after the employer benefits end, they will not be penalized for late enrollment. Retirement coverage and Consolidated Omnibus Budget Reconciliation Act (COBRA) benefits do not count as employer coverage.

For **Medicare Part D**, if the beneficiary has a prescription plan that Medicare considers “comparable coverage” and enrolls in Part D shortly after that coverage ends, an exception to the penalty rule is allowed. Comparable coverage is considered to be a plan, which has the same or similar benefits as a Medicare Part D plan.

Medicare Savings Programs (QMB, SLMB, QI-1)

If a person who previously declined Part B coverage now has low income, Medicare Savings Programs (MSPs) may be able to help. MSPs are government low-income assistance programs. They can help pay Medicare out-of-pocket costs, like the Part B premium and, in the case of QMB, the copayment for a doctor's visit or other services.

There are three MSPs:

- Qualified Medicare Beneficiary (QMB) program
- Specified Low-Income Medicare Beneficiary (SLMB) program
- Qualifying Medicare Individuals (QI-1) program.

Eligibility for each program is based on the person's income. A person can apply at the local Medicaid agency within the Department of Social Services (or Human Resources Agency in New York City). The State Department of Health refers to Medicaid Savings Programs as "Medicare Premium Payment Programs." (For more specific information on these programs, see our Medicare Savings Programs at a glance sheet or call Neighborhood Legal Services at 1-888-224-3272.)

Medicare Savings Programs Can Help With Medicare Penalty Problems

If a person is found to be eligible for QMB, SLMB, or QI-1, based on income, the MSP will automatically enroll them in Medicare Part B at any time (and they will not have to wait for the enrollment period). The Medicaid Program can also pay all penalties associated with late enrollment. In certain circumstances, Part B enrollment can be up to three months prior to application for the MSP.

In addition, if a person is a beneficiary of one of these MSPs, they will be considered a Medicaid recipient and "dually eligible" for Medicare Part D purposes (i.e., eligible for both Medicare and Medicaid). This means they will be eligible for the full low-income subsidy or extra-help program and will not have to pay the Medicare Part D basic premium, pay only very low co-pays, and avoid most other out-of-pocket expenses.

If you or someone you know is considering whether or not to enroll in the optional Medicare Part B and/or Medicare Part D, please suggest they read this informational sheet. If you or someone you know already chose not to carry one of these plans and now needs Medicare Part B or Medicare Part D, and has a low income, we strongly suggest reading our Medicare Savings Plans "at a glance" sheet and consider having the individual apply for one of the MSPs at your local Medicaid office.

Additional Sources of Information:

Health Insurance Information Counseling and Assistance at
<http://www.aging.ny.gov/healthbenefits/LocalHIICAOffices.cfm>

Center for Medicare Advocacy at
www.medicareadvocacy.org/medicare-info/medicare-savings-programs

State of New York Department of Health Administrative Directive 00 OMM/ADM-7 at
www.health.state.ny.us/health_care/medicaid/publications/docs/adm/00adm7.pdf

At-A-Glance Series

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