

# Medicare Penalties and Savings Programs

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## 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.

- 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 \$185.00 per month for most beneficiaries in 2025.
- *Medicare Part D* is the Medicare prescription drug program, which also has a monthly premium attached (amount varies based on the prescription drug program selected).
- A person can decide to decline Medicare Part B or Part D but can generally only enroll later during certain “enrollment periods” and 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 last quarter of the year 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 Medicare Part B, and then later decides to enroll, they are usually required to pay a significant penalty.
- The enrollment penalty is 10% 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 (but see exceptions below).

### Part D late enrollment:

- The late enrollment penalty is a 1% per month cumulative penalty.
- The Part D penalty will apply to the person’s monthly fee every month thereafter (but see exceptions below).

## 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 this is the case, the beneficiary may decline Part B without a late enrollment penalty when he or she enrolls in Part B. 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 and no penalties accrue while that eligibility continues. Comparable coverage is a plan, which has the same or similar benefits as a Medicare Part D plan.

## **Medicare Savings Programs (QMB, 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 sponsored. 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.

### **There are two key MSPs:**

- Qualified Medicare Beneficiary (QMB) program
- Qualifying Medicare Individuals (QI-1) program.

Eligibility is based on the person's income. You 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 information, see our Medicare Savings Programs at a glance or call our Work Incentives Hotline at 1-888-224-3272.)

## **Medicare Savings Programs Can Help with Medicare Penalty Problems**

If a person is found to be eligible for QMB 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 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 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.

## **Other Ways to Eliminate Late Enrollment Penalties**

At age 65, all Part B late enrollment penalties disappear. Social Security Program Operations Manual Systems (POMS) HI 00805.085 A.2, HI 10001.010.

If getting Part D Extra Help, the Part D late enrollment penalty is eliminated. POMS HI 03001.001 C.

### **Additional Sources of Information:**

Health Insurance Information Counseling and Assistance at <https://aging.ny.gov/health-insurance-information-counseling-and-assistance-program-hiicap>

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](http://www.health.state.ny.us/health_care/medicaid/publications/docs/adm/00adm7.pdf)

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