

Medicare Issues Facing Federal Employees Working Past Age 65

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Many federal employees are working past age 65. Those employees may be seeking advice or guidance from their Human Resources or Personnel Offices as to how working past age 65 affects their benefits. Two of these benefits are Social Security and Medicare. A previous column discussed [Social Security benefits](#) including claiming considerations and strategies for those federal employees who continue working in federal service past age 65. This column discusses Medicare issues facing federal employees who continue to work in federal service past age 65.

Some background on federal employees and Medicare benefits will be helpful for this discussion.

The original Medicare was signed into law in July 1965 and had two parts, namely; Part A (Hospital Insurance) which pays for inpatient hospital care including skilled nursing care, and Part B (Medical Insurance) which pays for physician bills, laboratory tests and medical equipment expenses. Part C, originally called Medicare Choice and now called Medicare Advantage plans, was added in 1997 and allows private insurers to provide additional coverage beyond original Medicare. Part D was added in 2006 and provides the framework for private insurers to cover prescription drugs. Some Medicare Advantage plans include drug coverage.

Individuals “prepay” Medicare Part A through the Medicare payroll (hospital) tax. The rule is if an individual has been working and paying the Medicare Part A payroll tax (currently equal to 1.45 percent of an individual’s gross wages and matched by the individual’s employer) for at least 10 years, then the individual is eligible to enroll in Part A at age 65 at no premium cost. If an individual is eligible for Part A, then the individual is automatically eligible to enroll in Parts B, C and D. But there is a monthly premium associated with Medicare Parts B and D.

Federal employees have been paying the Medicare Part A payroll tax since Jan. 1, 1983. They and their spouses (if married at least 10 years) are therefore eligible to enroll in Part A at no monthly premium cost once they become age 65. Most federal employees are also enrolled in the Federal Employees Health Benefits (FEHB) program and most employees continue their FEHB insurance throughout their retirement. The federal government continues to pay on average 72 to 75 percent of an annuitant’s [FEHB premiums](#). Some federal employees are military retirees and are enrolled in TriCare – TriCare Prime or TriCare Standard – both of which become TriCare-for-Life once a military retiree becomes age 65. There is no monthly

premium for TriCare-for-Life provided that the military retiree, and spouse if married, is enrolled in Medicare Parts A and B.

Answers to Common Questions

With this background information, here are some common questions concerning Medicare enrollment for federal employees who continue to work in federal service past age 65.

Do Federal Employees Who Work Past Age 65 and Who Are Enrolled in a FEHB Health Insurance Plan Need to Sign Up for Any Parts of Medicare?

Post-age 65 federal employees enrolled in a [FEHB](#) plan who continue to work in federal service need not enroll in any parts of Medicare. However, almost all employees at this stage of their working careers can get Medicare Part A at no cost. It therefore makes sense for an employee to enroll in Medicare Part A. They enroll in Part A online at <http://www.socialsecurity.gov/medicareonly> and making sure they enroll only in Part A.

One nuance for this situation is for those federal employees who have [health savings accounts](#) (HSAs) and want to continue to contribute to their HSAs. HSA owners can withdraw HSA funds to pay out-of-pocket medical, dental, vision expenses and long term care insurance premiums. However, an HSA owner cannot contribute to an HSA if the owner has enrolled in any part of Medicare. That means that those employees who are determined to continue contributing to their HSA should not enroll in Medicare Part A at age 65 or later until they retire from federal service.

How Will Health Care Coverage Work for Post-Age 65 Federal Employees Who Enroll in Medicare Part A?

If a federal employee working past age 65 and who is enrolled in Part A has to go to the hospital or to a skilled nursing facility, then his or her FEHB insurance plan is primary insurance and Medicare Part A will be secondary insurance. Any non-hospital medical expenses including doctor bills and outpatient expenses are covered almost entirely by the employee's FEHB plan. The employee may also be enrolled in a health care flexible spending account (HCFSA) which helps pay for items not covered by the FEHB plan including co-payments, co-insurance, and deductibles.

Do Employees Working Past Age 65 and Enrolled in a FEHB Plan Have to Sign Up for Any Other Parts of Medicare?

When an employee continues in federal service past age 65 and is enrolled in a FEHB plan, there is little reason for the employee to enroll in Medicare Parts B, C and D. As a matter of fact, most federal annuitants do not enroll in Medicare Parts C

and D. But once the employee retires from federal service, he or she should enroll in Medicare Part B, as will be explained below.

What Steps Should Employees Working Past Age 65 Take with Medicare Once They Retire from Federal Service?

Given that most federal employees working past age 65 are already enrolled in Medicare Part A, it is recommended these employees enroll in [Medicare Part B](#) which now becomes their primary payer of medical expenses and their [FEHB](#) insurance becomes the secondary payer. They enroll within eight months following their retirement date from federal service. In particular, they must do the following: (1) Make sure that they and their agency have filled out and completed the Centers for Medicare and Medicaid Services Form CMS-L564 (Request for Employment Information); and (2) their last statement of earnings and leave. They should take both forms and enroll in Medicare Part B at a local Social Security office. They cannot enroll in Part B online.

If they miss the eight month deadline, then they will have to wait until the following Jan. 1st to enroll in Part B during the “open-season”. Medicare has an “open-season” for enrolling in Parts A and B each year between January 1st and March 31st. Coverage becomes effective the following July 1st. However, by enrolling after the eight month period following the retiree’s retirement date from federal service, the annuitant will be subject to a late enrollment penalty. The penalty applied to the Medicare Part B monthly premium is permanent and is equal to 10 percent per year. The penalty period starts from the month the annuitant should have been enrolled in Medicare Part B but was not enrolled and ends on the last day of the last month the annuitant was not enrolled in Part B.