

How SMU's Medical Plans Work with Medicare Frequently Asked Questions for Age 65+ Employees

What are the best resources for questions related to Medicare?

- Read the *Medicare & You* Handbook at www.medicare.gov. Click the *Forms, Help & Resources* heading and select "*Medicare & You*" Handbook.
- Call Medicare at 1-800-MEDICARE (1-800-633-4227).

When do I become eligible for Medicare?

You become eligible for Medicare benefits at age 65. If you are an active employee enrolled in SMU's medical plan when you reach age 65, you can delay enrollment in Medicare, without penalty, *until you retire*.

Do SMU's Medical Plans provide Medicare Part D Creditable Coverage?

The **\$2,000 Deductible plan** does provide Creditable Coverage.

- The prescription drug coverage provided by this plan is expected to pay out at least as much as standard Medicare prescription drug coverage pays and is therefore considered Creditable Coverage.

The **\$2,700 Deductible and \$5,000 High Deductible Health Plans (HDHP)** do not provide Creditable Coverage.

- The HDHPs provide no prescription drug coverage until the deductible is satisfied and therefore, do not provide Creditable Coverage. To qualify as Creditable Coverage, a plan must provide prescription drug coverage that pays at least as much as standard Medicare prescription drug coverage.
- This is important because if you enroll in one of the HDHPs and later retire, Medicare will look back at your SMU prescription drug coverage beginning at age 65. Medicare will determine that you did not have Creditable Coverage and you will be assessed a late enrollment penalty.

I am 65 years old and want to take advantage of the lower premium under the \$2,700 or \$5,000 HDHP. Can I still elect one of these plans, even though they don't provide creditable prescription drug coverage?

Yes, you can elect one of HDHP options. However, because these plans do not provide creditable prescription drug coverage, you will pay a late enrollment penalty because you did not join a creditable prescription drug plan when you first became Medicare-eligible.

I am 65 years old, aware of the Creditable Coverage issue, and plan to enroll in the \$2,700 or \$5,000 HDHP. Am I eligible to contribute to a Health Savings Account?

Yes, but only if you are **not** enrolled in any part of Medicare. You are **NOT** eligible to contribute to a Health Savings Account (HSA) if you are enrolled Medicare Part A, Part B, Part C or Part D.

If I enroll in the \$2,700 or \$5,000 HDHP, what is the Part D late enrollment penalty?

You will be charged a late enrollment penalty if, at any time after your initial enrollment

period is over, there is a period of 63 or more days in a row when you don't have Part D or other creditable prescription drug coverage.

- The cost of the late enrollment penalty depends on how long you didn't have creditable prescription drug coverage. Medicare calculates the penalty by multiplying 1% of the "national base beneficiary premium" (\$33.19 in 2019 and \$32.74 in 2020) times the number of full, uncovered months you didn't have Part D or creditable coverage. This amount is rounded to the nearest \$.10 and added to your monthly Part D premium.

- Since the "national base beneficiary premium" may increase each year, the penalty amount may also increase each year. You may have to pay this penalty for as long as you have a Medicare prescription drug plan.

- For more detailed information and examples, go to <http://www.medicare.gov/> → Drug Coverage (Part D) → Costs for Medicare drug coverages → Part D late enrollment penalty (left side of page).