**What Does Medicare Part B Insurance Cover?**

*Presented by* ***Eric C. Tolmie, MBA***

Medicare Part B insurance covers doctor services, outpatient services, and durable medical equipment.

**How—and when—do I enroll?**

There are specific enrollment guidelines for Medicare, and you must sign up before the enrollment deadline to avoid incurring a penalty.

* **Automatic:** Enrollment in Part B is automatic if you receive social security, Railroad Retirement Board disability, or retirement benefits at least four months before your 65th birthday.
* **Initial enrollment period:** If you are not automatically enrolled, you must enroll before the enrollment deadline. The initial seven**-**month enrollment period is the three months preceding your 65th birthday, the month of your birthday, and three months following your birthday.
* **General enrollment period:** If you didn’t sign up when you were first eligible, the annual Medicare Part A and/or Part B general enrollment period begins January 1 and ends March 31.
* **Special enrollment period:** The special enrollment period begins when your employment ends. If you continue to work after your 65th birthday and have employer health insurance, you must enroll in Part A and/or Part B within eight months of your last date of employment. The eight**-**month period also applies to spouses who are eligible for Medicare and used employer health insurance. Enrolling in Part B during the special enrollment period generally avoids the 10**-**percent penalty assessed for late enrollment.

You may enroll online at [***www.medicare.gov***](http://www.medicare.gov/) or in person at a local social security office.

For more information about Medicare, visit the Getting Started with Medicare page at [***www.medicare.gov/people-like-me/new-to-medicare/getting-started-with-medicare.html***](http://www.medicare.gov/people-like-me/new-to-medicare/getting-started-with-medicare.html)

**What are my out-of-pocket expenses?**

Part B premium and deductible costs are listed within the Your Medicare Costs tab at [***www.medicare.gov***](http://www.medicare.gov/). Click the “Medicare 2018 costs at a glance” link for in-patient deductible and coinsurance rates. <https://www.medicare.gov/your-medicare-costs/costs-at-a-glance/costs-at-glance.html>

**Part B premiums:** You pay a premium each month for Part B insurance. Most people pay the standard premium, which is determined by your modified adjusted gross income (MAGI) and income tax filing status (single, joint, married filing separately). MAGI includes taxable wages and self**-**employment income; social security retirement benefits; social security disability benefits; retirement and pension income; alimony, capital gains; and investment, rental, and royalty income. It is your reported MAGI from the two tax years before you enroll that determines your means**-**tested premium. If your MAGI is above a certain threshold, you pay the standard premium plus a surcharge called an income**-**related monthly adjustment amount (IRMAA). Your premium cost is reevaluated annually.

* **Deductible:** The Part B deductible is set each year by the Centers for Medicare & Medicaid Services. You usually pay 20 percent of the Medicare**-**approved amount after your deductible is met.

**Can I contribute to a health savings account (HSA) once I’ve enrolled in Medicare?**

You cannot contribute to an HSA if you’ve enrolled in Medicare, although enrollment does not preclude future withdrawals from an HSA. It is recommended that you stop contributing to your HSA six months prior to social security and/or Medicare enrollment to prevent the assessment of penalties and deduction loss if your Medicare coverage enrollment is backdated. A spouse who is not enrolled in Medicare can continue to contribute to his or her HSA.

**What else do I need to know about Medicare Part B coverage?**

* **Hold harmless rule:** If you collect social security benefits and your Part B premiums are deducted from those benefits, you may be protected by the hold harmless provision. This provision ensures that Part B premiums will not increase unless the social security cost**-**of**-**living adjustment covers that amount. The rule does not apply if you are a new enrollee or you are a higher income recipient paying surcharges under IRMAA. The provision also would not protect you if you were enrolled in a Medicare Savings Program.
* **Late-enrollment penalty:** Failure to enroll in Part B during the initial enrollment period may result in a 10**-**percent penalty for *each full year* (12 months) that you do not enroll when you are eligible. The 10**-**percent penalty is permanent; however, if you are covered under a group health plan from an active employer, you may avoid this penalty. Click the Medicare Late Enrollment Penalty link for more information at: <https://www.medicare.gov/your-medicare-costs/part-b-costs/penalty/part-b-late-enrollment-penalty.html>

**Please note:** COBRA and retiree health coverage are *not* considered active employer group health coverage and will not exempt you from this penalty.

* **Example:** Alice’s initial enrollment period ends in November 2016. She does not enroll in Part B until March 2017. Alice would not incur a penalty because a full year did not lapse between her initial enrollment period and her enrollment during the general enrollment period.
* **Working after age 65:** If you work after age 65, you may maintain your employer’s group health insurance and delay enrolling in Part B *if* the employer has 20 or more employees. (**Please note:** Employer health insurance may be the *secondary* payer to Medicare if the employer has fewer than 20 employees, which means you could be responsible for primary care coverage.)

Don’t forget to sign up for Medicare during the special enrollment period within eight months after your employment ends. (As noted above, COBRA and retiree health coverage are not considered active employer group health coverage.) The eight**-**month period also applies to spouses who are eligible for Medicare and used employer health insurance. Enrolling in Part B during the special enrollment period will generally avoid the 10**-**percent penalty.

As you approach age 65, it is important to review your health insurance to determine how the plan coordinates payment with Medicare and other coverage. This will help you make an informed decision regarding Medicare coverage.

* **Federal Employees Health Benefits Program (FEHBP):** If you are a retired federal employee—or you are about to retire—you can maintain a FEHBP without enrolling in Part B. If you discontinue your FEHBP coverage, however, you would need to apply for Part B within eight months of ending coverage to avoid incurring the 10**-**percent premium penalty.

**Please note:** Original Medicare Parts A and B provide no coverage when you travel internationally. You will need to purchase additional insurance for coverage outside of the U.S.

*This material has been provided for general informational purposes only and does not constitute either tax or legal advice. Although we go to great lengths to make sure our information is accurate and useful, we recommend you consult a tax preparer, professional tax advisor, or lawyer.*

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