



## COBRA Warning for People Eligible for Medicare



If you are eligible for Medicare, regardless of whether you enroll in Medicare, COBRA insurance can bite you! What is COBRA? It's a federal law, the Consolidated Omnibus Budget Reconciliation Act, that gives you the legal right to keep your employer health benefits that might otherwise end due to job loss, divorce or death. In addition, employers of a certain size are required to offer you COBRA when you retire or leave an employer. This is the same health plan coverage you had while working. **Yet federal health benefit payment rules that apply while you are working and eligible for Medicare are not the same after you stop working and are eligible for COBRA and Medicare at the same time.**

If you sign up for COBRA and you are eligible for Medicare at the same time, your COBRA benefits are intended to be paid after Medicare pays, even if you haven't actually signed up for Medicare. And when you do sign up for Medicare later you could be subject to premium penalties for late enrollment. In addition, a COBRA carrier may be able to bill you for any benefits paid by mistake when Medicare should have paid first.

*If you're already on COBRA when you become eligible for Medicare, you will lose your COBRA benefits and none of this applies to you.*

*If you're younger than 65 and have Medicare because you have permanent kidney failure (End State Renal Disease, ESRD) none of this applies to you.*

### **If You Have Health Insurance Through an Employer While You Are Eligible for Medicare**

This information applies if you or your spouse's employer has at least 20 employees and one of you is eligible for Medicare because you're 65 years old and eligible for Medicare, or when you or your spouse's employer has 100 or more employees and one of you is eligible for Medicare because of a disability.

If you or your spouse becomes eligible for Medicare while one of you is working and you're covered by an employer's health benefits you'll need to know how these two benefit systems work together.

You'll have three choices:

1. Sign up for Medicare later and continue to use your employer's health benefits. Your benefits won't change because you're eligible for Medicare. You'll still have to pay the same premiums, deductibles and copayments for your employer plan. You can sign up for Medicare later, without penalty, as long as it's within 8 months after your employment ends.
2. Sign up for Medicare when you are eligible, pay the premium and keep your employer health insurance. Your employer health insurance will pay first, but Medicare benefits will pay at least some of the costs that your employer doesn't cover such as deductibles, coinsurance, and copayments if you follow all of the rules of your employer's health plan. Medicare may pay your deductible, pay first for covered services your employer plan doesn't cover, or pay if you use up a benefit in your employer plan.

3. You can choose to reject your employer coverage and have Medicare as your sole medical coverage. But, your employer can't offer you any medical coverage that supplements your Medicare benefits.

### **If You're Eligible for Medicare When You Leave Employment**

If you have not previously signed up for Medicare you will need to enroll when you or your spouse stops working and your employer health benefits end.

You may have several choices when employment ends:

1. Supplemental or retiree benefits if your employer offers it: Medicare will pay first and your employer benefits may pay at least some of what Medicare doesn't pay.
2. COBRA coverage: This is an extension of your existing employee health benefits, but Medicare will pay first. COBRA benefits should **only** be paid after Medicare pays. You will pay the same health insurance premium that you paid as an employee. You'll also have to pay the portion of the premium your employer paid, plus an additional administrative cost.

**Warning:** It's important that you enroll in Medicare if you get COBRA coverage. If you don't you may have to pay late enrollment premium penalties later and have a waiting period imposed before your Medicare benefits can begin. A COBRA carrier could also ask you to pay back benefits it paid that should have been paid by Medicare.

3. Insurance you can buy to supplement your Medicare benefits (a Medigap policy), or a Medicare Advantage plan (MA plan):

If you buy a Medigap policy Medicare will pay first and a Medigap policy will pay at least some of the costs Medicare doesn't.

If you join a Medicare Advantage plan, the plan will provide all of your Medicare Part A (Hospital Insurance) and Medicare Part B (Medical Insurance) benefits and you will pay copayments when you use covered benefits. Some MA plans also provide prescription drug benefits.

You can get help with each of these choices from a State Health Insurance Assistance Program (SHIP) in your state. The federal government funds SHIPs to help Medicare beneficiaries with issues like these.

**Follow this link to find the SHIP in your state.** <https://www.shiptacenter.org/>

**Follow this link to learn more about SHIP.** <https://acl.gov/programs/connecting-people-services/state-health-insurance-assistance-program-ship>

NOTE: This information is general in nature; certain restrictions or other limitations or variations may apply depending on the specific facts or events at the time. It **does not** cover instances in which you may be eligible for COBRA due to changes unrelated to leaving employment.