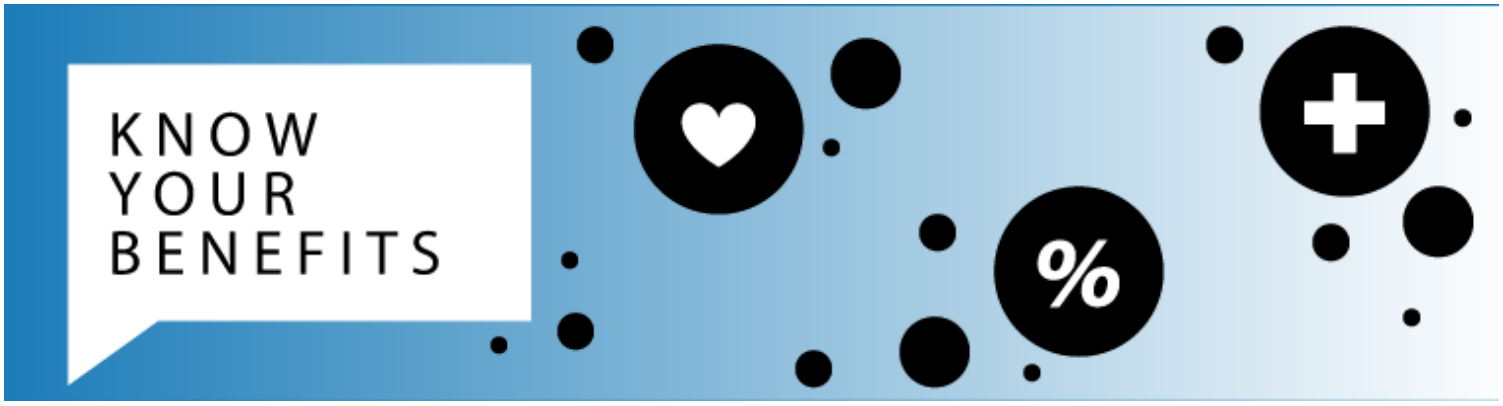

Employer Coverage vs. Medicare Part B

Premier Consulting Partners

Turning 65 is a milestone for benefits decisions. At this age, you become eligible for Medicare, even if you are still working and covered under an employer-sponsored health plan. In 2026, the standard premium is $202.90. Based on Medicare Trustees Report projections, the standard monthly premium for Medicare Part B in 2027 is projected to increase to $218.60. Many employees are surprised to learn that Medicare does not automatically replace employer coverage, and enrolling in Medicare is not always an “all-or-nothing” decision.

As you approach age 65 and Medicare eligibility, an important decision you’ll need to make is whether to remain enrolled in employer-sponsored health coverage or enroll in Medicare Part B. The right choice varies based on several factors, including employment status, the size of the employer and how current coverage coordinates with Medicare.

This article explains Medicare basics, how employer coverage works with Medicare and the key factors employees should consider when deciding whether to enroll in Medicare Part B.

Enrolling in Medicare at Age 65

Before considering Medicare enrollment decisions, it helps to understand the two core parts of Original Medicare that become available at age 65: Part A and Part B. Each part covers different services and follows different cost and enrollment rules.

Medicare Part A covers inpatient hospital stays, skilled nursing facility care, hospice and some home health services. For most people, Part A is premium-free because they paid Medicare taxes while working. Since Part A typically comes at no cost and can work alongside employer-sponsored coverage, most people choose to enroll in Part A when they turn 65, even if they plan to continue working and remain on their employer’s health plan. Enrolling in Part A generally does not interfere with employer coverage and can provide an added layer of protection for hospital-related expenses.

There is one important exception. Employees (or spouses) who contribute to a health savings account (HSA) may want to delay enrolling in Medicare Part A. Once you are enrolled in any part of Medicare, you can no longer make or receive HSA contributions. In addition, Medicare Part A coverage can be retroactively applied for up to six months (but not before your initial eligibility date) if you enroll after age 65. This means that any HSA contributions made during that retroactive period may be considered excess contributions and could be subject to a tax penalty. To avoid this, employees who plan to enroll in Part A should generally stop HSA contributions at least six months before their enrollment becomes effective.

Medicare Part B, on the other hand, covers doctor visits, outpatient care, preventive services, and many medical supplies. Unlike Part A, Part B requires a monthly premium for everyone. Most people pay the standard premium, while higher-income enrollees pay an income-related surcharge, known as the income-related monthly adjustment amount (IRMAA). This is where most employees need to pause and carefully evaluate their options. If you are still working and covered under a qualifying employer-sponsored health plan, you are not required to enroll in Part B at age 65. Choosing whether to enroll right away or delay coverage is an important decision that can affect both your healthcare costs and how your medical claims are paid.

How Employer Coverage and Medicare Work Together

If you are still working at age 65 (or covered under a working spouse's plan), Medicare may coordinate with your employer-sponsored coverage. Which plan pays first, Medicare or your employer plan, depends largely on the size of your employer.

If your employer has 20 or more employees, the employer-sponsored health plan generally remains your primary coverage after age 65, and Medicare becomes secondary if you enroll. In this situation, many employees choose to delay enrolling in Medicare Part B because their employer plan already provides comprehensive medical coverage. Delaying Part B allows you to avoid paying the monthly Part B premium while you continue working. As long as you have active coverage based on current employment, you can enroll in Part B later without penalty through an eight-month Special Enrollment Period that begins when your employment or employer coverage ends, whichever comes first. Missing this window can mean waiting until the next General Enrollment Period to sign up and may trigger a permanent late-enrollment penalty.

If your employer has fewer than 20 employees, Medicare typically pays first, and the employer-sponsored plan becomes secondary. In this case, enrolling in Medicare Part B at age 65 is generally required to avoid gaps in coverage and potential late-enrollment penalties. Delaying Part B could result in unpaid or partially paid claims if the employer plan expects Medicare to be the primary payer. Delaying enrollment in this situation may also result in permanent late-enrollment penalties.

Deciding Between Employer Coverage and Medicare Part B

If you are working past age 65, deciding whether to remain on your employer-sponsored health plan or enroll in Medicare Part B depends on several key factors. Reviewing the considerations below can help you determine which option best fits your situation:

- **Your employment status**—Medicare Part B is generally optional if you are actively working and covered by a qualifying employer-sponsored health plan. Coverage based on current employment allows more flexibility than retiree or Consolidated Omnibus Budget Reconciliation Act (or COBRA) coverage, which typically does not permit delayed Medicare enrollment without consequences.
- **Your employer's size**—Employer size affects which plan pays first. Employees of larger employers may be able to delay Part B safely, while employees of smaller employers generally need Medicare as primary coverage.
- **The amount of additional coverage you need**—If your employer plan is comprehensive and affordable, Medicare Part B may provide limited additional benefits while you are working. Some employees choose to enroll anyway to reduce out-of-pocket expenses or increase provider choice.
- **Monthly premium costs**—Medicare Part B requires an ongoing monthly premium that can be higher for individuals with higher incomes. Delaying Part B may help manage costs while employer coverage remains in place.
- **Risk of late-enrollment penalties**—Delaying Part B without qualifying employer coverage can result in permanent premium penalties. Employees covered under active employer-sponsored insurance are protected and can enroll later through a Special Enrollment Period once coverage ends.
- **Prescription drug coverage**—Medicare Part B does not cover most prescription drugs. Prescription drug coverage is typically provided through an employer-sponsored plan or Medicare Part D, a separate Medicare plan that helps cover medications. If your employer plan includes creditable prescription drug coverage, meaning it is expected to pay, on average, at least as much as standard Medicare drug coverage, you can generally delay enrolling in a Medicare Part D plan without penalty. Most employer plans meet this standard, but you should review your annual creditable coverage notice or contact your benefits team to confirm.
- **HSA considerations**—Once you are enrolled in any part of Medicare, you can no longer contribute to an HSA. Employees who wish to continue HSA contributions may want to delay Medicare enrollment until contributions stop.

Because each employee's situation is unique, reviewing these factors carefully and speaking with HR before making a decision can help ensure you choose the option that best supports your healthcare and financial needs.

Takeaway

If you are working past age 65, Medicare does not automatically replace your employer-sponsored coverage. Most people should enroll in Medicare Part A when they become eligible because it is usually premium-free and adds hospital coverage. Medicare Part B requires careful decision-making.

Before making a choice, take time to understand how Medicare and your employer coverage work together and seek guidance when needed so you can make the decision that best supports your health coverage and financial well-being. Contact your HR team or benefits administrator for more information.

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