

This Medicare Mistake Could Cost You For the Rest of Your Life

By [Dan Caplinger](#) | [More Articles](#)
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Image: Social Security Administration.

Tens of millions of Americans rely on Medicare to help cover their healthcare costs after they retire. Yet as simple as the program might seem, many people make a mistake in claiming their Medicare coverage that can lead to their having to bear higher costs for their healthcare needs for the rest of their lives.

This key Medicare mistake involves what seems like a simple process: signing up for Medicare in the first place. As long as you follow the right rules in applying for and getting onto Medicare, then you can steer clear of potential problems. If you slip up, though, the consequences will haunt you for a lifetime. Let's take a closer look at a mistake that currently affects hundreds of thousands of people with the goal of making sure you never become one of them.

Signing up for Medicare

Most people jump at the chance to enroll in Medicare at their first opportunity, given the benefits that it offers at a price that's typically lower than any available alternatives. Indeed, if you're already receiving Social Security benefits before you reach the usual Medicare eligibility age of 65, you'll automatically get enrolled for Medicare in most cases, starting on the first day of the month of your 65th birthday. Disability recipients also automatically get Medicare after receiving 24 months of benefits from Social Security Disability or similar programs.

For many people, though, those automatic enrollment provisions won't apply, and they'll have to enroll on their own. The initial enrollment period for Medicare begins three months before you turn 65 and ends three months after your 65th birthday.

The reason the initial enrollment period is so important is that there are consequences if you don't sign up for Medicare on time. Late-enrollment penalties can be onerous, with the most common one that people face involving Medicare Part B coverage for medical insurance. Specifically, for every full 12-month period that you go without enrolling, your Part B premiums will go up by 10%.

That might not sound like much, given that the typical Part B premium for 2015 is \$104.90 per month for most Medicare participants. But for those who go for multiple years without applying for Medicare, a 20%, 30%, 40% or greater increase in monthly premiums adds up to several hundred dollars per year in penalties. Moreover, those late-enrollment penalties never go away, and you'll have to pay them for as long as you have Part B coverage throughout your lifetime.

Other penalties can affect a limited number of recipients. Most people get Medicare Part A for free, but if you have to pay premiums, they'll go up if you sign up late. Part D prescription drug penalties can also apply, with charges based on a percentage of a predefined typical premium amount multiplied by the number of months you weren't covered.

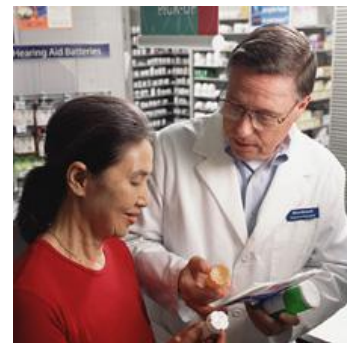
Special enrollment to the rescue

Fortunately, there are some provisions to help some of the people who might otherwise face Medicare penalties. The most common involves what are known as special enrollment periods.

Those who are still working when they turn 65 are most likely to qualify for a special enrollment period. If you have qualifying group health plan coverage based on either your job or your spouse's job, then you can sign up for Medicare at any time as long as you or your spouse is still working and you're still covered under the employer group plan.

Moreover, when you finally do retire from your work, Medicare grants you an additional eight-month special enrollment period starting the month after the job ends. Usually, as long as you sign up for Medicare during that special enrollment period, you won't have to pay a late enrollment penalty.

It's important to realize, though, that not all insurance coverage qualifies to give you a special



Source: Medicare.gov.

enrollment period. Specifically, if you have continuing coverage under COBRA, or if your employer provides retiree health insurance, you won't be eligible for a special enrollment period when that coverage ends. Only coverage based on current employment qualifies.

As long as you're aware of these rules, it's easy to follow them and avoid a costly Medicare mistake. Given how important Medicare is for your healthcare finances in retirement, the savings from following the rules can be well worth paying a bit of attention as your 65th birthday approaches.

The \$15,978 Social Security bonus most retirees completely overlook

If you're like most Americans, you're a few years (or more) behind on your retirement savings. But a handful of little-known Social Security secrets could ensure a boost in your retirement income. In fact, one MarketWatch reporter argues that if more Americans knew about this, the government would have to shell out an extra \$10 billion annually. For example: one easy, 17-minute trick could pay you as much as \$15,978 more... each year! Once you learn how to take advantage of all these loopholes, you could retire confidently with the peace of mind we're all after. [Simply click here to discover how you can take advantage of these strategies.](#)

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Comments from our Foolish Readers

On May 24, 2015, at 10:07 AM, [rscollon99](#) wrote:

I am a disabled veteran, service connected, I am an enrolled veteran with the Veterans Administration. Can you explain the process and the need to enroll in Medicare? My treatment and Medications are 100% provided by the VA.

On May 24, 2015, at 11:07 AM, [bettemundo](#) wrote:

The link regarding the Social Security \$15,000+ extra annual payout does NOT connect. Any suggestions?

On May 24, 2015, at 11:36 AM, [Penelope](#) wrote:

Make sure when you sign up you sign up for the plan D . If not, you will be penalized. I know, as I am paying a penalty for not doing so. I paid out of pocket for 9 years, still got penalized.

On May 24, 2015, at 11:36 AM, [Bake](#) wrote:

The VA will take care of you. If they stop and your disabled, you are entitle to Medicaid or Medicare.

On May 24, 2015, at 1:14 PM, [wreckbeach](#) wrote:

You missed the biggest mistake a person can make in Medicare by a mile... actually many, many miles. The biggest problem with Medicare is that you are responsible for 20% of the bill, no cap. I know a guy who went in the hospital for a stroke, got over a million dollars care, and his bill was \$207,000. If he had a Medicare Advantage plan, his bill would have been no more than \$6700 and could have been as low as \$3400, depending on the plan. If he had a Medicare Supplement plan, which has a monthly premium, his bill would have been a whopping \$0. Watch out, as Obama has said get rid of Medicare Advantage and Medicare Supplements. The words came out of his mouth in his first TV debate with Romney back in Oct 2012. So, have a look at those plans. Oh, if you need one of those plans, you can't have it unless you can find a special enrollment. You can have it during Open Enrollment, (Oct 15-Dec7) and start 1/1/2016. How does that make you feel since the government wanted their money right away every time you got a paycheck?

On May 24, 2015, at 1:59 PM, [vjjarvljar](#) wrote:

The validity of this article 'flew out the window' when I read the line ... 'most people get Medicare part A for free'.

A total fabrication from a writer who's knowledge of medicare is too shallow to be writing 'advice columns' for others.

Medicare part A is NOT FREE. The U.S. Treasury deducts approximately \$104 from every individual's social security check EVERY MONTH to cover medicare part A.

On May 24, 2015, at 4:18 PM, [stoneborn](#) wrote:

"Disability recipients also automatically get Medicare after receiving 24 months of benefits from Social Security Disability or similar programs."

I thought the Disability program was not linked to Medicare after 24 months, Medicare was dependent on paying taxes and age of 65. Could someone explain what happened to the rules and laws that general public was aware of? Medicaid is a separate program financed from resources other than Medicare funds, am I right?

On May 24, 2015, at 5:03 PM, [drjcm](#) wrote:

I was very worried about this, because I continue to work, with a HSA, and once you are on part A you can no longer contribute to the HSA. Since my wife is covered through my work, it would be a big problem not to contribute to a high deductible plan. I went to meet with Social Security and my employer contacted them, and unless I got some baaaad advice from SSA I can not sign up without penalty as long as I am covered at work. I think I am supposed to notify them 3 months before I drop work coverage to 3 months after to avoid the penalty. Can anyone say whether this is true?

On May 24, 2015, at 5:32 PM, [MotleyTommy](#) wrote:

The author leaves out an important point - an extremely important point! Just because you have qualifying employer-sponsored health insurance does NOT mean you don't have to sign up for Medicare during your initial signup period +/- 3 months from your 65th birthday! The special enrollment period is NOT effective unless you DO sign up! You don't have to take Part B at that time, but you DO have to sign up for the free (if you have worked and paid Medicare taxes) Part A. When you sign up, you opt out of Part B and Part D and then continue to use your employer-sponsored plan. Annually, your employer is required to provide you a "Certificate of Creditable Coverage," which at the time of enrollment later (during open enrollment or a special enrollment period like the author is talking about), you provide as proof that you had qualifying insurance and

then are not charged a penalty.

On May 24, 2015, at 8:18 PM, [SRQT](#) wrote:

Vijarvjar, Medicare Part A IS free for anyone who has worked and paid into the system. Medicare Part B costs MOST people \$104.90 per month. It is usually taken out of their Social Security check if they receive Social Security, or, if they do not yet receive Social Security, they are billed quarterly. For individuals who earn \$85K or less, or couples who earn \$170K or less, the cost of Part B is \$104.90 per person per month. For those with higher incomes the cost is graduated, with the highest charge being \$335.70 per person per month for individuals with incomes \$214K or higher, or couples with incomes \$428K or higher.

Penelope is correct in that you will be penalized if you are eligible for Medicare Part D for Prescription Drug Coverage and you do not sign up for it.

And MotleyTommy is correct in saying that if you are eligible for Part B and/or Part D, but you have coverage through your employer, or your spouse's employer, you need to obtain a Certificate of Creditable Coverage from your employer stating that. As long as you are adequately covered by an employer's plan, you do not have to sign up for Part B or Part D, and you cannot be penalized.

Medicare regulations are very specific and very complex and you should not believe everything you read or hear. Better to check it out by reading information directly from the Medicare website at www.medicare.gov or calling Medicare at 1-800-MEDICARE.

On May 25, 2015, at 6:11 AM, [lindamh1](#) wrote:

A new issue is that you will not be signing up for SS at the same time as Medicare which probably was more common in the past. My FRA for SS is 66 BUT I have to sign up for Medicare when I am 65 to avoid the penalties.

I have to pay Part B (\$104.90) directly out of my pocket which can be deducted from my SS when I apply. I picked up a Supplemental (\$104.25) which covers everything except the deductibles (if it is Medicare approved!) It is also valid across the US instead of limited to one location. Part D is separate also; I pay \$28.50/month even though I have no medications other than OTC. So I pay \$237/month directly. Some supplementals, which cost more, cover the deductibles also. I figured the extra cost is like paying the deductibles in advance so I'm taking my chances. Otherwise the deductible is \$1237 for hospital and \$147 for Part B (non-hospital).

On May 25, 2015, at 6:13 AM, [lindamh1](#) wrote:

Most insurance plans require that you pick up Medicare as soon as you are eligible. The insurance then becomes a secondary or supplemental coverage. It cuts their costs down!

On May 25, 2015, at 6:35 AM, [pattib59](#) wrote:

I think Medicare Part B (\$104.90) should be adjusted to the amount in SS benefits that you receive each month. To someone receiving \$11K annually, that is a big chunk out of their total benefits each month.

On May 25, 2015, at 9:06 AM, [CatShaw54](#) wrote:

Most people will pay far more for those supplemental plans than they'd ever pay for care under Medicare. I myself got some real sticker shock when I realized that Medigap would cost at least twice as much yearly as the possible Medicare deductibles that Medigap would "cover." Listen to Dr. Belk on the subject; the videos on this site are indispensable. <http://www.truecostofhealthcare.org/summary>

On May 25, 2015, at 10:05 AM, [cshoes124](#) wrote:

I am on Medicare along with a supplement. I recently fell and fractured two vertebrae in my back. I was just informed that Medicare is refusing to pay the same day surgery because it was not a pathologic fracture. Why am I paying for the supplement if Medicare does this?

On May 26, 2015, at 2:27 PM, [foolishlymeek](#) wrote:

Medicare is a government program. So guess what? It's complicated, changes frequently, and is often the target for cost-cutting by politicians!

I always get upset when politicians call Social Security and Medicare "entitlement" programs. To me an entitlement program is one where I paid nothing for the benefits. I paid in thousands of dollars for both

Social Security and Medicare - and not voluntarily!

As SRQT mentioned, you should review medicare rules and payments at www.medicare.gov.

If you paid Medicare taxes, you can receive "premium-free" Part A benefits. Basically, Part A covers hospital, skilled nursing, and home health services. However, there are many "criteria" for these services and there are HUGE co-pays. (After you "lifetime reserve days," you have to pay 100% of the costs.)

Part A does NOT cover long-term care, which I think is going to be a huge issue for America in the coming years. You need to pay for long-term care out of your own savings or you must have long-term care insurance (which can be very difficult to obtain). Or you can always move in with your children!

For most people, Part B coverage costs \$104.90 a month (with a \$147 yearly deductible.) However, if you do not sign up for Part B when you are first eligible, or if you drop Part B coverage, you will pay late enrollment penalties for as long as you have Part B coverage. Premiums are also higher for people with higher modified adjusted gross incomes (\$170,000 for joint filers and \$85,000 for single filers).

Part B covers the doctor visits, lab tests, surgeries, preventative care, and medical equipment. Most services (except preventative care) have co-pays and deductibles.

Parts A and B do NOT cover long-term care (as mentioned above) dental care, dentures, eye exams, prescription glasses, hearing aids, or routine foot care.

Part C refers to Medicare advantage plans. These plans are offered by insurance companies. Often you pay an additional premium (above the \$104.90) for additional coverage and lower co-pays and deductibles. These plans may also cover dental care, eye exams, prescription glasses,

and hearing aids. There are literally thousands of Medicare advantage plans. Therefore, look around for the best coverage.

Part D covers the cost of prescription drugs. You need to buy separate Medicare Part D coverage or purchase a Medicare advantage plan that includes prescription drug costs.

If you do not enroll in Medicare Part D (or other creditable prescription drug coverage, such as a Medicare advantage plan) when you are first eligible, you will pay late enrollment penalties for as long as you have Part D coverage. The late enrollment penalty also goes into effect if you do not have prescription drug coverage from any source for any 63-day period. In addition, premiums are also higher for people with higher modified adjusted gross incomes (\$170,000 for joint filers and \$85,000 for single filers).

The www.medicare.gov site states:

Medicare coverage is based on 3 main factors:

1. Federal and state laws.
2. National coverage decisions made by Medicare about whether something is covered.
3. Local coverage decisions made by companies in each state that process claims for Medicare. These companies decide whether something is medically necessary and should be covered in their area.

Therefore, YOUR coverage could be very different from someone else's coverage in another state.

On May 26, 2015, at 2:42 PM, [foolishlymeek](#) wrote:

Stoneborn:

From the website <http://www.medicare.gov/sign-up-change-plans/get-parts-a-and...>

"If you're under 65 and have a disability, you're automatically enrolled in Part A and Part B after you get Social Security or Railroad Retirement benefits for 24 months. Your Medicare card will be mailed to you about 3 months before your 25th month of disability benefits. If you don't want Part B, follow the instructions that come with the card."

Medicare and Medicaid are two separate programs. Medicare is basically for people on Social Security. Medicaid can pay medical bills for anyone under certain income limits (which vary largely among the states). People receiving Medicare with low incomes (including the Social Security payments) can get additional help with medical bills through Medicaid. (Many people call Medicaid "welfare benefits.")

From the website <http://www.medicare.gov/your-medicare-costs/help-paying-cost...>

"Medicaid is a joint federal and state program that helps with medical costs for some people with limited income and resources. Medicaid also offers benefits not normally covered by Medicare, like nursing home care and personal care services. Each state has different rules about eligibility and applying for Medicaid."

STONEBORN - In this day and age of the internet, you will find that GOOGLE.COM is your best friend if you want to know almost anything under the sun!! (I don't know how I survived so many years with just a library card, a card catalog, and out-dated encyclopedias!)