



Medicare Late Penalties 2021

Part B Fines

CMS charges late penalties for those individuals who are eligible for Medicare but did not sign up on time. The timeframes for signing up for Medicare are listed below for easy reference.

1. At age 65 you are eligible for Medicare Parts A & B and can sign up three months before, the month of and three months after your birthdate. The only exception is if your birthdate is the first of the month, then you are eligible one month prior to your birthdate.
2. Under the age of 65 and eligible for Social Security disability. You have a two-year waiting period for Medicare.
3. On a group health plan with more than 20 employees. You can take Part A only and defer your Part B enrollment date until you retire from your employer.

The penalties for late Medicare enrollment are based on you not signing up for Medicare when eligible.

1. If you retire from your employer and don't take Medicare but take COBRA instead which is deferring your Medicare effective date out 18 months, CMS will fine you because Medicare does not accept COBRA as creditable coverage. (There are several Bills in Congress to correct this error because COBRA under federal statute is creditable coverage.)
2. Working for an employer with less than 20 employees and staying on the group coverage instead of going on Medicare.

The penalties are based on fining you 10% per year for every year you did not take Medicare when you should. So if you didn't take Medicare for 3 years or 36 months your fine is based on 10% of the Part B premium (including any surcharges, by the way). So, the premium for 2020 is \$144.60 so the fine is 10% or \$14.46 times 3 years or \$43.38 per month. That fine is for the rest of your life. As the cost of the Medicare premiums go up, so will your fine. **If your current employer has more than 20 employees, there is no fine.**

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Lastly, when you have missed the eligibility period for signing up for Medicare there is a certain time when you can sign up for Part B. That is called the General Enrollment Period and it is from January 1st through March 31st for a July 1st effective date.

Part D Fines

Part D fines are assessed when you do **not** have a creditable drug plan. That can be defined as having an individual plan or a group or employer plan. (The group has an HSA with no fixed copays for medications. You do not get a separate drug plan but use your HSA to pay your drug copays.) Or you do not get a drug plan because you don't take any medications. (If you have an HSA you cannot be on Medicare Parts A or B. Once you go on Medicare you can use your unused HSA money to pay premiums.

CMS states that all Medicare recipients must have creditable drug coverage at least as good as Medicare. (All that means is there are fixed copays for drugs regardless if they are generic or brands) Therefore not having a plan or having an HSA with no fixed copays for drugs is considered to be non-creditable and will subject you to a fine.

The fine works this way. You are charged 1% per month for every month you did not have creditable drug coverage. You also can only sign up for a drug plan during the AEP (Annual Election Period) which currently runs from October 15th through December 7th, for a January 1st effective date. The 1% fine is based on the average price of a drug plan nationwide and changes yearly. The 2020 average price of a drug plan is \$32.74 down from \$33.19 in 2019. However, the penalty is rounded to the nearest \$0.10.

Here is an example: Didn't have drug coverage for 3 years or 36 months. That means your fine is based on 36% of the average price of drugs nationally.

Using the \$32.74 times 36% = \$11.79 fine per month for the current year, rounded to the nearest \$0.10 so the fine would be \$11.80 per month. The fine is lifetime and recalculated annually.

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