Why Employer Size Changes Everything When Your Employees Turn 65

When your employees hit 65, a simple question becomes critical: does your group health plan pay first, or does Medicare? The answer isn't complicated, but getting it wrong can cost your company thousands in denied claims and expose you to serious compliance risks.

Your company's size determines who pays first. If you have 20 or more employees, your group health plan remains the primary payer. If you have fewer than 20 employees, Medicare takes the lead. This threshold affects everything from how claims get processed to whether your employees face lifetime penalties.

The 20-Employee Rule: What It Means for Your Business

This employee count includes both full-time and part-time workers for at least 20 weeks in the current or previous calendar year. Multi-employer groups need only one participating employer with 20 or more employees for the entire plan to pay primary to Medicare.

Large employers (20+ employees):

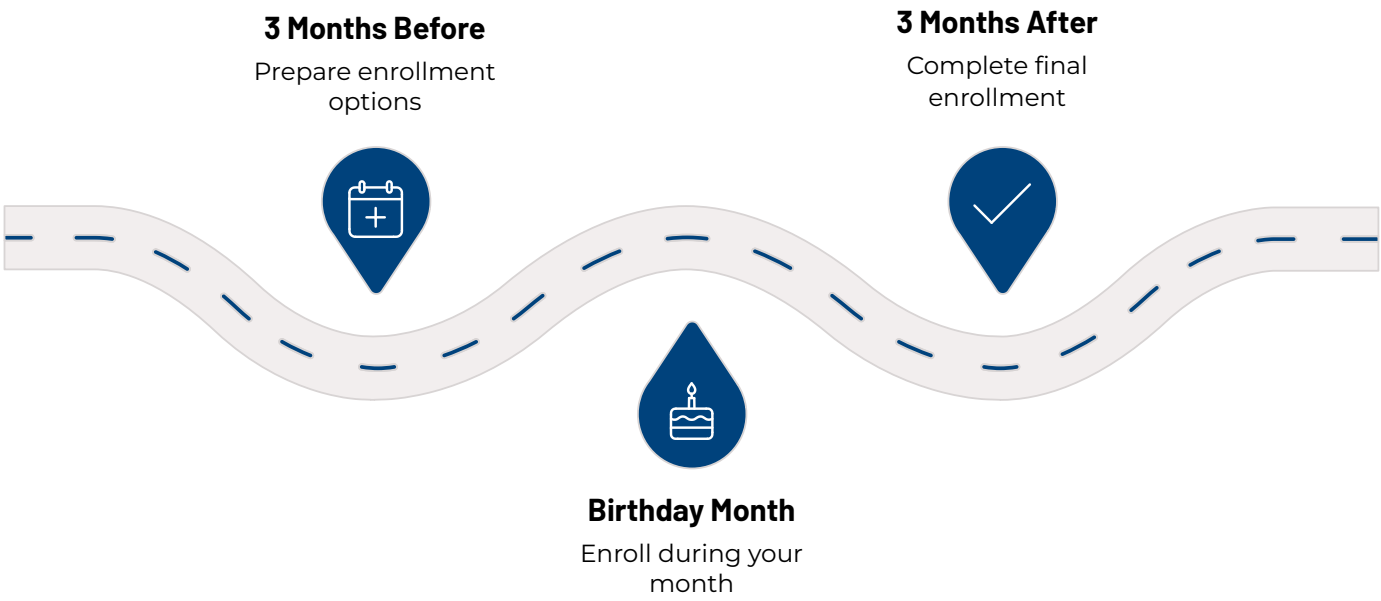
- Your group health plan pays first for active employees age 65 and older
- Medicare pays second, covering eligible costs your plan doesn't
- You must offer the same benefits to Medicare-eligible employees as younger workers
- You cannot require employees to enroll in Medicare as a condition of coverage

Small employers (fewer than 20 employees):

- Medicare pays first, even if the employee is actively working
- Your group health plan pays second
- You may require Medicare enrollment at age 65
- Employees who delay Medicare enrollment risk lifetime penalties

The Seven-Month Window Your Employees Can't Afford to Miss

Employees become eligible for Medicare three months before their 65th birthday. The **Initial Enrollment Period** runs for seven months total: three months before the birthday month, the birthday month itself, and three months after.



This timeline represents the critical Initial Enrollment Period that determines whether employees face lifetime penalties or can enroll without additional costs.

If you have 20+ employees and offer creditable coverage:

- Employees can delay Medicare Part B without penalties
- They must be actively working or covered under a working spouse's plan
- Coverage must meet or exceed Medicare's standards (creditable coverage)

If you have fewer than 20 employees:

- Employees should enroll in Medicare during their Initial Enrollment Period
- Delaying enrollment triggers a permanent 10% premium penalty for each 12-month period without coverage
- This penalty lasts for the lifetime of their Medicare enrollment

Missing this window costs real money. A one-year delay results in a 10% penalty. Wait three years, and that penalty jumps to 30% — added to every monthly premium for life.

Active Employees vs. Retirees: Different Rules Apply

Active employees with large employer coverage

- Group health plan pays first
- Medicare pays second
- Employees can delay Part B enrollment without penalty

Retirees (any employer size)

- Medicare always pays first
- Retiree coverage or COBRA pays second
- Employees must enroll in both Medicare Part A and Part B

COBRA coverage does not count as active employer coverage under Medicare Secondary Payer rules. Once an employee moves to COBRA, Medicare becomes the primary payer regardless of employer size.

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Your Compliance Obligations Under Medicare Secondary Payer Rules

Federal law requires you to:

1	2	3	4
Provide annual creditable coverage notices	**Report employment status changes**	**Maintain consistent benefits**	**Document group health plan coverage**
You must notify employees every year whether your prescription drug coverage meets Medicare's standards. Employees need these notices to avoid Part D late enrollment penalties when they eventually join Medicare.	When employees retire, reduce hours, or your company size changes, you must update Medicare's coordination of benefits records within specific timeframes.	Large employers cannot reduce benefits or require Medicare enrollment solely because an employee turns 65. This is considered discriminatory under Medicare Secondary Payer provisions.	Employees need Form CMS-L564 from you to prove they had creditable employer coverage when they enroll in Medicare through a Special Enrollment Period.

The Special Enrollment Period: Your Employees' Safety Net

When employer coverage ends — through retirement, job loss, or company closure — employees get eight months to enroll in Medicare Part B without penalties. This Special Enrollment Period starts when either employment ends or group coverage stops, whichever comes first.

Employees need documentation from you showing:

- Dates of group health plan coverage
- Confirmation that coverage was creditable
- Employer size during the coverage period

> Without this documentation, Social Security may deny the Special Enrollment Period request, and employees face late enrollment penalties.

Why Small Employers Face Higher Risk

If you have fewer than 20 employees, Medicare pays first regardless of employment status. This creates two major risks:

Claim denials

If your group health plan processes claims as primary when Medicare should have paid first, those claims get denied. Your plan may pay more than it should, and employees may face unexpected bills.

Employee penalties

Employees who delay Medicare enrollment — thinking your plan is primary — face lifetime premium penalties when they finally sign up. They may blame your HR team for inadequate guidance.

> **Clear communication is essential.** Small employers should provide written guidance during open enrollment explaining that Medicare becomes primary at age 65, even for active workers.

Cost Savings Your Company Should Know About

When employees transition to Medicare properly, your company saves significantly on healthcare costs. Medicare becomes the primary payer, reducing your group health plan's financial exposure. Large employers with creditable coverage can see substantial savings as employees age into Medicare while remaining on your plan as secondary coverage.

Many employers report saving significant amounts per Medicare-eligible employee through proper coordination of benefits. These savings compound as more employees reach Medicare eligibility age.

How to Protect Your Company and Your Employees

01

Create a transition checklist

Develop standardized materials for employees approaching age 65. Include employer size information, enrollment period dates, and documentation requirements.

02

Train your HR team

Ensure your benefits administrators understand Medicare Secondary Payer rules and can answer basic questions without providing formal Medicare enrollment advice.

03

Partner with a specialist

An **Employer Medicare & Retiree Benefits Advisor** handles Medicare education directly with employees, reducing your liability and workload.

04

Document everything

Keep records of creditable coverage notices, employee communications, and Form CMS-L564 requests. These documents protect you if enrollment issues arise later.

05

Review annually

Employer size can change. Multi-location companies may need to reassess which rules apply as headcount fluctuates.

Questions You Should Be Asking

- **"Do we have creditable prescription drug coverage?"** Review your plan documents annually and provide written notices to employees. This protects employees from future Part D penalties.
- **"What happens if we cross the 20-employee threshold?"** Understand how coordination rules shift and communicate changes to affected employees immediately.
- **"Are we giving employees the right information at the right time?"** Employees need Medicare guidance at least six months before turning 65, not the week of their birthday.
- **"Who handles individual Medicare questions?"** HR should not provide personalized Medicare enrollment advice. Direct employees to licensed Medicare specialists.

Ready to Optimize Your Employee Benefits, Reduce Risks, and Lighten Your Workload?

You face the challenges of balancing cost savings, compliance, and employee satisfaction. Partnering with an Employer Medicare & Retiree Benefits Advisor makes it easier.

Rodney Powell is affiliated with Senior Health Services and popularly known as the "Medicare Video Guy." He acts as your risk-reduction partner, helping to protect HR from liability while reducing your workload. He educates employees and retirees on Medicare, handles individual questions and transitions, and ensures your team is supported every step of the way.

Here's how he can help you:

- **Save up to $18,000+ per Medicare-eligible employee**
- **Offer zero-cost Medicare transitions for your workforce**
- **Access free educational presentations tailored to your team**
- **Rely on expert Medicare guidance to simplify employee transitions**

With over 300 educational videos, 16,000+ subscribers, and a #1 ranking on Medicare Agents Hub in Texas, Rodney is licensed in 35+ states and ready to support your success.

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