10 Rules for Coordinating Group Health Plans with Medicare: A Guide for Employers

If you have both **Medicare** and a group health plan, knowing which plan pays first can help you avoid **billing errors** and surprise costs. Insurance plans follow rules called **coordination of benefits** to prevent duplicate payments and keep your claims on track.

Understanding Coordination of Benefits Basics

Coordination of benefits decides which insurance is your **primary payer** and which is secondary.

The primary payer processes your claim first and pays what it owes. The secondary payer may pick up some or all of the leftover costs.

If you mix up the order, claims might get delayed or denied. That's a headache nobody wants.

These rules depend on things like your employer's size, your age, and when you enrolled in Medicare. Both group health plans and Medicare have their own requirements for employers and employees.

Understanding the basics helps you coordinate coverage and avoid compliance snags.

10: Coordination of Benefits Prevents Duplicate Payments

Coordination of benefits exists to stop insurance companies from paying more than the actual cost of your care. If you have both group health insurance and Medicare, the system figures out who pays first and who pays second.

The primary payer covers your **medical expenses** up to its limit. Then your **secondary insurance** might pay some or all of what's left.

Together, the plans won't pay more than 100% of the approved amount. This protects you and the insurance companies from overpayments.

Without coordination, you could get paid twice for the same service. That's a mess and might force you to pay money back later.

Your insurance companies share info to make sure claims are handled right. They follow rules to decide who pays first based on your **coverage situation**.

This keeps things running smoothly and helps you get the **maximum coverage** you're entitled to.

9: Claims Must Be Submitted to Primary Payer First

01

Submit to Primary Payer

Always send claims to the primary payer first. That's the basic rule.

02

Primary Payer Reviews

The primary payer reviews and pays its share.

03

Secondary Payer Processes

After that, the rest goes to the secondary payer.

You can't skip this order, even if it feels like a hassle.

Submitting a claim to the wrong payer first causes delays. The insurance company will reject it and send it back, so you'll need to start over.

Your healthcare provider usually handles this for you, but don't assume they know everything about your coverage. Double-check that they have your current info and both insurance cards.

Tell your doctor's office which plan is primary. It might seem obvious, but a quick conversation can save you headaches later.

8: Medicare Secondary Payer (MSP) Rules Apply to Group Health Plans

The Medicare Secondary Payer rules decide which insurance pays first when you have both Medicare and a group health plan. These federal rules make sure other insurance pays before Medicare when it's supposed to.

MSP rules kick in if your employer has 20 or more employees. This includes private companies and public employers. In those cases, your group health plan pays first, and Medicare covers what's left.

It doesn't matter if you have Original Medicare or **Medicare Advantage**; your employer plan is still the primary payer if you meet the size rule.

You'll run into MSP rules when you **turn 65**, qualify for Medicare due to disability, or have End-Stage Renal Disease.

When your employer plan is primary, it covers costs first. Medicare steps in as secondary and might pay the balance. Healthcare providers who bill Medicare have to check which plan should pay first before sending in claims.

7: Timing of Medicare Enrollment Affects Payment Responsibility

Enroll Too Early

If you enroll in Medicare too early while you still have group coverage, it can confuse which plan is primary. That confusion can mean surprise bills if claims get processed wrong.

Enroll Too Late

Enroll too late, and you might have gaps between your group plan and Medicare. Late enrollment can also mean higher monthly premiums because of penalties.

When you **enroll in Medicare** matters. The timing changes which insurance pays first for your bills.

If you work for an employer with 20 or more employees and have a group plan, that plan usually pays first. Medicare is secondary as long as you keep that coverage.

Once you leave your job or lose group coverage, enroll in Medicare quickly. You get an **eight-month Special Enrollment Period** after your job or coverage ends. Miss it, and you'll wait for the **General Enrollment Period** and probably pay penalties.

6: Employer Group Health Plans Must Follow Medicare COB Rules

Employers who offer group health plans need to follow Medicare's coordination of benefits rules. These rules decide which plan pays first if employees have both Medicare and **employer coverage**.

The primary payer covers most costs. The secondary payer only picks up what's left after the primary payer pays.

Your group plan must figure out if it's primary or secondary. This depends on company size and why the employee has Medicare.

> **Important:** If your plan should pay first and doesn't, you could face penalties. Medicare enforces COB rules, so it's not something to ignore.

You have to collect and report info about employees with both Medicare and group coverage. Medicare uses this to process claims in the right order.

Spell out how COB works with Medicare in your plan documents. Employees appreciate knowing what to expect.

5: Medicare Part A vs Part B Coordination Differences

Medicare **Part A and Part B** have different coordination rules with group coverage. Part A covers **hospital stays** and skilled nursing. Part B covers **doctor visits** and outpatient care.

20+ Employees

If you work for an employer with 20 or more employees, your group health plan pays first for both Part A and Part B. Medicare is secondary.

Under 20 Employees

For employers with fewer than 20 workers, Medicare pays first. The group plan is secondary and only pays after Medicare.

Part A is usually premium-free, so most folks enroll even with other coverage. You can delay **Part B enrollment** penalty-free if you have creditable coverage from active work — but not from a retiree plan.

When your group plan is primary, it pays first on all claims. Employers have to follow these rules, no matter which Medicare parts you have.

4: COBRA Coverage Does Not Change Primary Payer Status

COBRA coverage doesn't change who pays first if you have Medicare. The coordination of benefits rules stay the same, whether you're on COBRA or not.

If you have both COBRA and Medicare, Medicare usually pays first. COBRA acts as your **secondary coverage** and only pays after Medicare does.

COBRA can be expensive. Still, it might help if you have **high medical costs** and need help with things like copays and deductibles.

The primary payer pays its share first. The secondary payer — COBRA in this case — might cover some leftover costs, but not always everything.

Your Medicare status, not COBRA, decides the payment order. The same rules apply no matter how you got Medicare.

3: Group Health Plan Pays First if Employer Has 20+ Employees

If your employer has 20 or more employees, your group health plan pays first. Medicare is secondary.

This applies to people 65 or older who are **still working**. Both full-time and part-time workers count toward the 20.

Your group plan has to cover the same services as Medicare for this rule to work. The plan pays your medical bills first, and then Medicare covers what's left.

The 20-employee test looks at the average working day the previous year. If your employer is part of a multiple-employer plan, just one employer in the group needs to have 20 or more employees.

> **Warning:** If your employer gets this wrong, you could face **problems later**. Employers might owe money back, and you could get stuck with bills if the wrong plan pays first.

Tell your **HR department** about your Medicare coverage. It's better to be clear up front.

2: Medicare Pays First for Individuals 65+ with Employer Coverage Under 20 Employees

If your employer has fewer than 20 employees and you're 65 or older, Medicare is your primary insurance. Your employer's group health plan pays second.

This is different from what happens at bigger companies. The size of your employer really matters here.

The employee count includes both full- and part-time workers. If your small employer offers coverage, Medicare will handle claims first, not the group plan.

Your employer plan acts as secondary. Medicare pays its part, then your employer plan might pick up some of the rest.

Enroll in Medicare Part A and Part B when you turn 65, even if you have employer coverage. Since Medicare pays first at small employers, you need both parts active for full coverage.

If your small employer is in a multi-employer plan where at least one employer has 20 or more employees, the rules might change. Check with your benefits administrator to be sure.

1: Primary vs Secondary Payer Determination

If you have both Medicare and group **health coverage**, coordination of benefits rules decide which plan pays first.

The primary payer handles your claims before the secondary payer steps in.

Employer Size

Your employer's size usually determines who pays first. If your company has 20 or more employees, your group health plan typically pays first, and Medicare pays second. For employers with fewer than 20 workers, Medicare usually becomes the primary payer.

Work Status

Your work status matters too. When you're actively working for an employer that offers **group coverage**, that plan often takes primary responsibility. Once you retire or stop working, Medicare generally becomes primary.

The primary payer reviews your claim and pays its share based on plan rules. After that, the secondary payer checks what's left and may cover some or all remaining costs, depending on your plan.

Letting both Medicare and your group health plan know about your other coverage helps claims go through smoothly. That can prevent billing headaches and delays.

Key Compliance Considerations for Employers

Employer Obligations Under CMS Rules

Employers with 20 or more employees can't exclude Medicare-eligible workers from their group health plans. You also can't offer incentives to get employees or their spouses to drop your group coverage and take Medicare instead.

Your plan must stay the primary payer for active employees age 65 and older if you have 20 or more employees. That means you pay claims first, and Medicare pays second if the employee is enrolled.

You need to keep written documentation of your group health plan structure. If you offer a Section 125 cafeteria plan with pre-tax salary reductions, you need a formal plan document. Update this document whenever you change the plan.

Billing and Claims Procedures

The billing department has to figure out the correct payer order before handling claims. When your plan is primary, you process the claim first based on your plan's benefits and payment schedules.

Set up clear procedures for identifying which employees have Medicare coverage. This info determines whether your plan pays first or second on their claims.

For claims where your plan pays first, you submit payment based on your plan rules. Medicare then gets info about what you paid and covers any remaining eligible expenses according to its rules.

Your claims staff needs to know these coordination of benefits rules to process payments right. Make sure your billing systems can talk to Medicare when needed. This coordination helps prevent payment delays and makes sure employees get their full benefits from both plans.

Working with an Employer Medicare & Retiree Benefits Advisor

Working with a specialized advisor can make Medicare coordination a lot simpler for your company. These professionals help employers manage Medicare transitions and cut compliance risks.

An advisor handles employee education about Medicare options and eligibility. They answer individual questions from your workforce, which takes pressure off HR and makes sure employees get the right info.

Key benefits of working with an advisor include:

- Significant **cost savings** on employee health coverage
- Risk reduction for HR departments
- No-cost Medicare transition support for employees
- Custom **educational sessions** for your team
- Expert guidance on coordination of benefits rules

The right advisor should have proper licensing in your state(s). Look for someone with real experience in Medicare education and employer benefits. They should be easy to reach and communicate clearly, whether that's by phone, email, or in person.

Your advisor acts as a bridge between your group health plan and Medicare. They help employees figure out when Medicare becomes primary coverage and explain **enrollment timing** to avoid penalties.

This partnership can protect your company from compliance mistakes. It also makes the transition to Medicare smoother for employees, and your HR staff gets more time for other work.

Reach out to a qualified advisor to see how they can help your situation. Ask about their experience with companies like yours, and get details on how they educate and support your team.

Ready to Optimize Your Employee Benefits?

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 Big

Save up to $18,000+ per Medicare-eligible employee.

Zero-Cost Transitions

Offer zero-cost Medicare transitions for your workforce.

Free Education

Access free educational presentations tailored to your team.

Expert Support

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.

Call 855-360-5263 | Visit MedicareVideoGuide.com

Save BIG. Reduce risks. Expert support at zero cost.