

Protect and Strengthen Medicare

Medicare Part B Enrollment: Pitfalls and Solutions



The Problem

While most people newly eligible for Medicare are automatically enrolled in Part B—because they are collecting Social Security retirement benefits at or before age 65—a growing number are working later in life and deferring their Social Security benefits. Unlike those who are auto-enrolled, these individuals must make an active Medicare enrollment choice, taking into consideration specific timelines and existing coverage. If this transition is mismanaged, individuals new to Medicare may face lifetime late enrollment penalties, higher health care costs, gaps in coverage, and disruptions in care continuity.

Background

Unfortunately, many individuals do make mistakes, as they struggle to understand Medicare's complex coordination of benefits rules and the penalties associated with delayed enrollment. The rules are so complicated that even the most sophisticated Human Resources experts struggle to follow them, and many employers' benefits departments lack the Medicare knowledge to guide their employees and retirees on Medicare enrollment. Further, the federal government provides virtually no notification to people who are nearing Medicare eligibility and who must actively enroll about when and how to do so. As a result, people with employer-based or other private coverage often bear the full burden of navigating Medicare's complicated enrollment rules—which can result in costly mistakes.

New [regulations](#) do provide some relief in the form of special enrollment periods for individuals impacted by an emergency or disaster; for health plan or employer error that constitutes "material misrepresentation" of information related to timely enrollment; for formerly incarcerated individuals to enroll in Medicare following their release from a correctional facility; to coordinate with the termination of Medicaid eligibility; and for other unanticipated exceptional conditions.

Despite these advancements, some Medicare-eligible individuals will still fall through the cracks.

Case Studies

Mr. A was laid off at age 65. As part of his termination, he was provided two years of continued enrollment in the company's large employer group health plan. Before the group coverage was due to terminate, Mr. A went to his local Social Security office to enroll in Medicare. There, for the first time, he learned that when he lost his job, it triggered a change in how his group health coverage was treated under Medicare rules. Because he had not been “actively” employed within the past eight months, he was ineligible to enroll in Part B through a Special Enrollment Period. Instead, he would have to wait until the next General Enrollment Period in January to sign up. He also learned that because he delayed Part B enrollment for two full years and did not have employer-sponsored coverage through “active” employment during this time, he would be required to pay a penalty of 20% (10% multiplied by the number of years delayed) on his Part B premium for the rest of his life.

Possible Solutions

As the American population ages at an unprecedented rate and increasing numbers of individuals experience difficulties transitioning to Medicare from other types of insurance, now is the time to improve the Medicare Part B enrollment process in a way that empowers beneficiaries to make timely enrollment decisions. Both administrative and legislative fixes are needed to strengthen education and support, reduce punitive burdens, and expand relief mechanisms. Toward this end, we recommend the following:

- **Send a Notice to All Prospective Medicare Beneficiaries.** Parts of the bipartisan, bicameral Beneficiary Enrollment Notification and Eligibility Simplification (BENES) Act (S. 1280/H.R. 2477) [passed in 2021](#), but the provisions that would provide a clear notification to prospective Medicare beneficiaries about their eligibility and enrollment responsibilities—a change recommended by MedPAC in its [June 2019 report](#)—are still outstanding. The [BENES 2.0 Act](#) would require Social Security to send such notices.

- **Reduce or Eliminate the Part B Lifetime Late Enrollment Penalty.** Designed to encourage enrollment when first eligible, the Medicare Part B late enrollment penalty (LEP) is also imposed on those who simply make a mistake. For as long as they have Medicare, these individuals will pay the regular monthly Part B premium + an additional 10 percent for each year they delayed signing up. A penalty may appropriately deter anyone who actively seeks to avoid Medicare enrollment, but it must not punish those who make honest mistakes. We encourage Congress or the Administration to examine the efficacy of the current LEP structure, as [recommended](#) by MedPAC.
- **Create Additional Special Enrollment Periods.** Expand Special Enrollment Periods (SEPs) to include people with pre-Medicare coverage other than employer-sponsored group health plans. This should include those like Mr. A in the case study who had retirement coverage.
- **Monitor and Report on Equitable Relief and New SEPs.** Currently, there is little information available about how many people try to qualify for equitable relief and how many are successful. Starting in 2023, new exceptional circumstances SEPs will also come into play. We urge data collections and reporting on these relief avenues to identify possible administrative or legislative fixes for intractable issues.
- **Adequately Fund SHIPs.** Medicare State Health Insurance Program (SHIP) counselors—most of whom are highly-trained volunteers—provide one-on-one, unbiased, personalized counseling to Medicare beneficiaries, helping them understand their rights and coverage options. Congress must adequately fund this program so it is best positioned to meet current and future needs. We support MedPAC’s June 2019 [recommendation](#) for increased resources for SHIPs.
- **Make Medicare Outreach and Low-Income Programs Permanent.** Since 2009, the Medicare Improvements for Patients and Providers Act (MIPPA) has helped nearly three million low-income Medicare beneficiaries access programs that make their health care and prescriptions more affordable. Set to expire on October 1, 2024, we urge Congress to adequately fund and make permanent these important activities.