

Daily Union Article

Saturday, April 1st – No Foolin!

Title: Don't Fool Around Getting Medicare Benefits

Although there is a steady flow of Medicare beneficiaries who pass through my office door during the fall open enrollment period, I work with folks and their Medicare questions throughout the year. Medicare sign-up and the Medicare system is a complex and often confusing system to navigate. You don't want to fool around with your benefits and enrollment or you might experience a lofty penalty.

In this week's article, I am going to share two of the most frequent questions I am asked related to penalties and the standard answers that apply. Knowing that each person's situation is unique based on age, health, employment history, and timing of their benefits, these responses apply to most, but not ALL, Medicare beneficiaries.

Q: Can I work and still get my Social Security retirement benefits?

A: Yes, but you need to be aware that there are income limits associated with this scenario. If you are younger than full retirement age and make more than the income ceiling, your monthly benefit will be reduced proportionately. Once you reach your full retirement age, the Social Security Administration (SSA) will not reduce your benefits no matter how much you make. There are, however, two rules that apply to those who work and receive their benefits:

- 1) If you are under full retirement age for the entire year, SSA will deduct \$1 from your benefit payment for every \$2 you earn above the annual limit which is **\$16,920 for 2017**.
- 2) During the year you reach full retirement age, SSA will deduct \$1 in benefits for every \$3 you earn above the limit of **\$44,880 for 2017** during the months before you reach that age.

Example: Grandma will turn 67 on April 1, 2018. She is still working full time but wants to claim her Social Security benefits starting May 1, 2017. She will pay \$1 from her benefit payment for every \$2 she earns above \$16,920 from May, 2017 – December 31, 2017. If she waits to claim her benefits until January 1, 2018, she can earn at least \$44,880 (the cap may change slightly for 2018) without any penalty before she claims her benefits in April, 2018. After April 1, 2018 she can earn as much as she wants without penalty.

Q: I am in great health and don't take any prescription medications right now. Do I have to sign up for a Part D prescription plan when I turn 65?

A: This is a bit tricky. First, it's great that you are in good health *right now*. Are you going to be able to say the same when you turn age 66, 74 or 85? You are not required to sign up for Part D – it is your choice. However, if you don't sign up for a Part D plan when you first become eligible, you will be assessed a monthly penalty on top of your prescription plan premium. If you wait only a few months, the penalty is nominal. If

you wait a few years, the monthly penalty will be much more. Here is how this penalty is explained on Medicare.gov:

"Medicare calculates the penalty by multiplying 1% of the "national base beneficiary premium" (\$35.63 in 2017) times the number of full, uncovered months you didn't have Part D or creditable coverage. The monthly premium is rounded to the nearest \$.10 and added to your monthly Part D premium.

The national base beneficiary premium may increase each year, so your penalty amount may also increase each year.

Mrs. Martinez is currently eligible for Medicare, and her Initial Enrollment Period ended on May 31, 2013. She doesn't have prescription drug coverage from any other source. She didn't join by May 31, 2013, and instead joined during the Open Enrollment Period that ended December 7, 2015. Her drug coverage was effective January 1, 2016.

2016

Since Mrs. Martinez was without creditable prescription drug coverage from June 2013–December 2015, her penalty in 2016 was 31% (1% for each of the 31 months) of \$34.10 (the national base beneficiary premium for 2016) or \$10.57. Since the monthly penalty is always rounded to the nearest \$0.10, she paid \$10.60 each month in addition to her plan's monthly premium in 2016.

Here's the math:

.31 (31% penalty) × **\$34.10** (2016 base beneficiary premium) = **\$10.57**

\$10.57 rounded to the nearest \$0.10 = **\$10.60**

\$10.60 = Mrs. Martinez's monthly late enrollment penalty for 2016

2017

In 2017, Medicare recalculated Mrs. Martinez's penalty using the 2017 base beneficiary premium (\$35.63). So, Mrs. Martinez's new monthly penalty in 2017 is 31% of \$35.63 or \$11.05 each month. Since the monthly penalty is always rounded to the nearest \$0.10, she pays \$11.10 each month in addition to her plan's monthly premium.

Here's the math:

.31 (31% penalty) × **\$35.63** (2017 base beneficiary premium) = **\$11.05**

\$11.05 rounded to the nearest \$0.10 = **\$11.10**

\$11.10 = Mrs. Martin's monthly late enrollment penalty for 2017"

Source: www.Medicare.gov

There are many online resources that claim to know the many ins and outs of Medicare, but I would caution you to make sure you are using credible sources. As a SHICK (Senior Health Insurance Counseling of Kansas) certified counselor, I would be happy to help you with your Medicare questions. You can call me at the Geary County K-State Research and Extension office at 785-238-4161. You can also check out the SSA publication titled "How Work Affects Your Benefits" at <https://www.ssa.gov/pubs/EN-05-10069.pdf> or go to www.medicare.gov and do a search for the topic you want more information on. Until next time, keep living resourcefully!