



Late Enrollment Penalties

If you don't sign up for certain parts of Medicare when first eligible, your monthly premiums may go up due to a Late Enrollment Penalty (LEP). Learn more about the LEPs for Medicare Part A, Part B and Part D.

Part A Late Enrollment Penalty

If you don't qualify for premium-free Part A, and you don't buy it when you're first eligible for Medicare, your monthly premium may go up 10%. You'll have to pay the higher premium for twice the number of years you didn't sign up.

Example: You were eligible for Part A for 5 years but didn't sign up and have now purchased coverage, you'll have to pay the Part A LEP for 10 years.

Part B Late Enrollment Penalty

If you don't get Medicare Part B when you're first eligible, your monthly premium may go up 10% for each 12-month period you could've had Part B, but didn't sign up. In most cases, you'll have to pay this penalty each time you pay your premiums for as long as you have Part B.

Example: Your Initial Enrollment Period ended December 2016, and you waited to sign up until March of 2019 for a July 1, 2019 effective date. Even though you weren't covered for 31 months, this included only 2 full 12-month periods, so your Part B LEP is 20%.

Part D Late Enrollment Penalty

You may owe a penalty if at any time after your Initial Enrollment Period ends, there's a period of 63 consecutive days or more when you don't have creditable drug coverage. You'll generally have to pay the penalty for as long as you have Medicare drug coverage. The penalty is equal to 1% of the national base premium (\$33.06 in 2021), times the number of full months you didn't have Part D or creditable coverage, then rounded to the nearest \$.10 and added to your monthly Part D premium.

Example: Your initial enrollment period ended May 31, 2017, and your Part D coverage began January 1, 2020. Since you were without coverage for 31 months, your penalty is \$10.30 each month in 2021.

Avoiding a Penalty

The best way to avoid a Late Enrollment Penalty is to sign up for Medicare when first eligible. However, you can avoid the Part A and Part B LEP by having employer or union coverage based on your or your spouse's current employment, and signing up within 8 months of losing that coverage or employment, whichever happens first. For the Part D LEP, if you have creditable coverage (including employer/union coverage, state pharmaceutical assistance programs, VA, TRICARE, Indian Health Service or individual health insurance coverage) you can avoid the penalty by signing up before that coverage ends. Also, individuals with limited income and resources can receive financial assistance to help cover the cost of their Late Enrollment Penalties.

Thank You For Attending
Presented by: Matthew Sohn (408) 384-8150
matthew@missionbenefits.com