

# Who Pays First? Medicare Versus Health Plan



Knowing when Medicare is considered primary or secondary to a group health insurance plan or COBRA can be confusing, at times, for employers. There isn't a quick and clear answer because a variety of factors must be considered. What is clear, however, is that employers may not automatically discontinue health coverage for active employees, their spouses, or dependents due to Medicare entitlement. In addition, benefits may not be reduced nor incentives offered to induce active employees to drop their current group coverage.

The Social Security Act has amended Medicare several times, making Medicare responsible to pay for only those services not paid for by other plans (Medicare Secondary Payer rules or MSP). The following table\* summarizes the coordination between Medicare and group health plans:


If Individuals	Situation	Pays First	Pays Second
Are age 65 or older and covered by group health plan because they are working or are covered because their spouses (any age) are working	Employer has less than 20 employees	Medicare	Group Health Plan
	Employer has more than 20 employees	Group Health Plan	Medicare
Are on an employer retiree plan and are age 65 or older, or disabled age 65 or older	Entitled to Medicare	Medicare	Retiree Plan
Are disabled, covered by a large group health plan, and actively working, or covered by a family member who is working	Employer has less than 100 employees	Medicare	Group Health Plan
	Employer has more than 100 employees	Large Group Health Plan	Medicare
Are age 65 or over or disabled, and covered by Medicare and COBRA	Entitled to Medicare	Medicare	COBRA

Remember that under COBRA, the maximum length of coverage can be shortened in the event a qualified COBRA beneficiary becomes entitled to Medicare. "Entitled" means the individual is at least age 65 and is actually enrolled in Medicare. This is not an absolute, however, because the law does not state that Medicare entitlement automatically ends the COBRA period—just that it can be a reason for early termination of COBRA continuation.

Some employers' group health plans may allow qualified COBRA beneficiaries to continue to their maximum allowable period of coverage even though they become entitled to Medicare during that time. The COBRA initial notification and qualifying event notice should explain all of the reasons why an organization's plan will terminate COBRA continuation prior to the expiration of the 18-month, 29-month, or 36-month period.

\*The table to the left is not all-inclusive. Other situations, including End-Stage Renal Disease, Black Lung Disease, and Worker's Compensation, will also affect which plan is primary.

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