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*The Savvy Investor*  
**Understanding Medicare Enrollment Periods**

## The Problem

There are many enrollment periods for the various parts of Medicare. This can lead to missing out on valuable Medicare coverage; facing long waiting periods; coverage gaps resulting in expensive out-of-pocket costs; and lifelong penalties.

## INITIAL ENROLLMENT PERIOD (IEP)

The Medicare Initial Enrollment Period (IEP) is a beneficiary's first opportunity to enroll in the Medicare coverage, Parts A and B. **The IEP begins three months before the 65th birth month and ends at the end of the third month after the 65th birthday month.** However, if the 65th birthday is on the first day of the month, the IEP starts and ends one month early.

If you are already receiving Social Security retirement benefits, you will automatically be enrolled in Medicare Parts A and B. Automatically enrolled beneficiaries must keep Part A but have choices to make about respect to Part B. If you have Medicare-equivalent health coverage, you may be entitled to a Special Enrollment Period (SEP). If so, you can decline Part B and re-enroll in Medicare Part B at some point in the future.

If you are not receiving Medicare, you need to sign up for Medicare when eligible during their IEP. **If you do not enroll on time and are not eligible for a future SEP, you will pay lifelong penalties and have coverage gaps.**

## SPECIAL ENROLLMENT PERIODS (SEP)

There are multiple categories of Special Enrollment Periods (SEP). The most confusing is if you were or are under an employer group health plan.

**You may be eligible for a SEP if your coverage is from an employer group health plan that meets certain Medicare standards. If so the SEP lasts for eight months after the employment coverage ends.** Usually, there is no late enrollment penalty for signing up during a SEP.

If you have coverage through your employer or your spouse's employer:

- The employer provided health plan needs to be with a group of 20 or more members. If the group is smaller than 20, Medicare Parts A and B must be primary and cover 80% of costs. The employer plan only covers 20%. In those cases, you may be better off by leaving the employer plan and signing up for Medicare Part D (prescription drugs) and a supplemental plan.
- The employer coverage needs to be Medicare Part D creditable, meaning that the employer coverage includes a prescription drug benefit comparable to Medicare Part D. The employer or insurance plan can provide the Medicare creditable coverage notice. Get a copy of this letter every year when your employer coverage renews. **Failure to do so results in lifelong penalties of 12% per year when you do enroll in Medicare Part D.**

## Bottom Line

Once you leave a health plan and are entitled to Medicare:

- Sign up for Medicare as soon as possible. Medicare enrollment can begin three months before employer coverage ends.
  - While there is an eight-month window to sign up for Medicare Parts A and B, there is no primary health coverage until Medicare enrollment is complete. Even COBRA coverage is secondary coverage to
- Medicare. That means Medicare Parts A and B cover 80% of costs, leaving COBRA to pay 20%. **The result is that if you are Medicare-eligible and do not have Medicare Parts A or B, you pay 80% of the cost.**
  - **If you miss the eight-month SEP window after leaving employment, you will have to wait an extended period of time to enroll, have coverage gaps and pay lifelong penalties.**

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*We specialize in helping people plan and invest for retirement.*