

Important Things to Know about Medicare: Chapter Seven--How does my other insurance work with Medicare? Who pays first?¹

Amanda Terminello and Martie Gillen²

Important Things to Know about Medicare is a series of 10 publications that will cover the most common Medicare concerns. The series will provide general information about Medicare, including the four major plans, supplemental policies, interactions with different types of insurance, and assistance programs. This section explains how Medicare works with other insurance plans.

It can seem pretty complicated to piece together your personal combination of Medicare Coverage when it comes to combining Part A and Part B with Part D or Part A and Part B with a Medigap Policy and Part D or Part C that combines elements of Part A and Part B and Part D. A good overview chart of your options is depicted in the Centers for Medicare and Medicare Services (CMS) handout **Medicare Coverage Choices** (Medicare & You, CMS 2013), included in the publication. After you have your coverage, however, when a claim is filed the question becomes “Who pays what? And who pays first?”

- Each form of coverage you have is called a “payer.” *Coordination of benefits* rules govern how these multiple payers interact and who pays first.
- The *primary payer* pays for the services it provides first, and then it sends the rest to the *secondary payer* or third payer if applicable.

- Make sure to always be honest with your health care provider about the types of coverage you have in order to avoid delays. Make sure to tell them if you have any coverage additional to Medicare.
- Also keep in mind that even though the primary payer “pays first,” the payment from the secondary payer may actually come through earlier if there are delays in processing the claims.
- The *Medicare Coordination of Benefits Contractor* will be able to help you and walk you through your personal situation regarding your specific coverage. To reach the Medicare Coordination of Benefits Contractor for information regarding interaction with coverage, call 1-800-999-1118.
- A good overview chart is illustrated in the CMS handout **When you have other health coverage who pays first?** (CMS 2011), included in this publication.
- If you are 65 or older and have both Medicare and group health plan coverage (employer coverage), Medicare usually is the secondary payer if you are aged 65 or older *and* have coverage through your current employer or that of a spouse *and* the employer has 20 or more employees and covers any of the same services as Medicare. If this employer has less than 20 employees, Medicare usually pays first.

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2. Amanda Terminello, graduate student, College of Public Health; and Martie Gillen, assistant professor and specialist in family and consumer economics for older adults, Department of Family, Youth and Community Sciences; UF/IFAS Extension Gainesville, FL 32611.

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- However, if the employer joins with other organizations to sponsor health insurance and any of the other employers have 20 or more employees, Medicare may pay second.
- It is important to contact the employer about their policies regarding Medicare as the primary payer. Keep in mind that if your employer-sponsored coverage pays first and you receive services outside of its network, this may not be covered at all.
- However, if you have employer-sponsored retiree coverage, Medicare is usually the primary payer (CMS 2011).

When you or your spouse retire or turn 65, you must decide whether you want to continue on the employer-sponsored coverage, assuming you have retiree coverage available, or whether you want to join Medicare. Keep in mind that usually retiree coverage is only offered to you once, and if you drop any form of employer coverage, you may not be able to get it back. You can generally avoid a *late penalty fee* if you continuously have creditable coverage, but it is important to take a look at the *enrollment periods*. It is a decision that you and your family should make together, taking into account the services that are offered by each form of coverage to meet your needs. Contact your employer or the employer of your spouse about their policies regarding retirement coverage and coverage for dependents. For example, you may want to retain your employer coverage if it provides benefits for your spouse as well. However, if your spouse can retain his/her own coverage, it may be in your best interest to join Medicare (CMS 2011).

- If you are under age 65 but eligible for Medicare due to a disability (other than end-stage renal disease) and have current employer coverage through your employment or that of your spouse, there are slightly different guidelines as to who pays first.
- If the employer has less than 100 employees, usually Medicare pays first. Keep in mind that if the employer joins with other organizations to sponsor group health insurance and any one of the other employers has 100 employees or more, Medicare pays second.
- If the employer has 100 or more employees, Medicare pays second (CMS 2011).
- If you have both Medicare and Medicaid, Medicaid is never the primary payer for services covered by Medicare. Medicaid only pays after Medicare, employer coverage, and/or Medigap policies have already paid (CMS 2011).

There may also be circumstances where Medicare interacts with no-fault or liability insurance. No-fault insurance covers services related to injuries or property damage that

occurs during an accident regardless of who is at fault. Some examples of no-fault insurance include automobile insurance, homeowner's insurance, and commercial insurance plans. Liability insurance protects against claims for negligence or action (or inaction) that causes property damage or injuries for someone. Some examples include homeowners liability insurance, automobile liability insurance, malpractice liability insurance, and uninsured motorist liability insurance.

- Usually if you have no-fault or liability insurance, Medicare is the secondary payer. If the no-fault or liability insurance denies your claim or is not liable, Medicare will act the same as if it were the only payer.
- Keep in mind that there are usually time limits associated with filing claims, so make sure to discuss your particular coverage with your health care provider.
- If there are problems with this, Medicare may make a *conditional payment*. This means that Medicare will pay for services that are the responsibility of another payer so you are not held responsible for the bill. However, it is conditional, meaning that you are responsible for paying Medicare back for the payment when a settlement, award, or other payment is made.
- Make sure to discuss your situation with the Coordination of Benefits Contractor, who will direct you to your recovery contractor, who is responsible for recovering payment for the conditional payment (CMS 2011).

If you are still working, you most likely are also covered under workers' compensation in case of sickness or injury on the job. Usually workers' compensation is the primary payer for services that you receive because of your work-related illness or injury.

- If they are delayed in settling your claim over 120 days, Medicare may offer a *conditional payment* (see above).
- If workers' compensation denies your claim, Medicare will pay as if it were the only payer.
- If you settle your workers' compensation claim, the settlement may provide funds for future medical expenses related to your illness or injury.
- It may be in your best interest to channel these funds into a Workers' Compensation Medicare set-aside Arrangement (WCMSA), which will pay for expenses otherwise covered by Medicare. Contact your attorney and coordination of benefits contractor to see if this is right for your case.
- These funds should be used only for medical expenses that directly relate to your on-the-job injury or illness,

and there are several guidelines put in place to ensure its appropriate use. Medicare will start to pay after all of these funds have been spent appropriately (CMS 2011).

If you have both Medicare and Veteran's benefits, you must choose which benefits to use each time you seek out medical care or attention. Medicare and your Veteran's benefits cannot cover the same service, so it is important to know which will cover the particular service and seek payment from the appropriate coverage.

- Usually, veteran's benefits only apply to Department of Veterans Affairs (VA) facilities, or they must authorize services in a non-VA facility. However, if you seek services from a non-VA hospital that the VA has authorized and the VA doesn't pay for all of the services you receive, Medicare may pay for the Medicare-covered part of the services that remain.
- If you have a "fee-basis ID card" from the VA and choose a doctor listed on your card that accepts you as a patient, the doctor must accept the VA's payment as payment in full and cannot bill you or Medicare for those services.
- If the doctor doesn't accept the fee-basis ID card, you need to contact the VA yourself at 1-800-222-8387 (CMS 2011).

If you receive TRICARE for Life (TFL) benefits, you must have Medicare Part A and Medicare Part B.

- Usually in this case, Medicare is the primary payer for Medicare-covered services. For services that TRICARE covers but Medicare does not, TRICARE will pay the associated deductible and coinsurance payments.

If you receive services from a military hospital or federal health care provider, TRICARE usually pays all of the costs and Medicare does not pay anything for these services (CMS 2011).

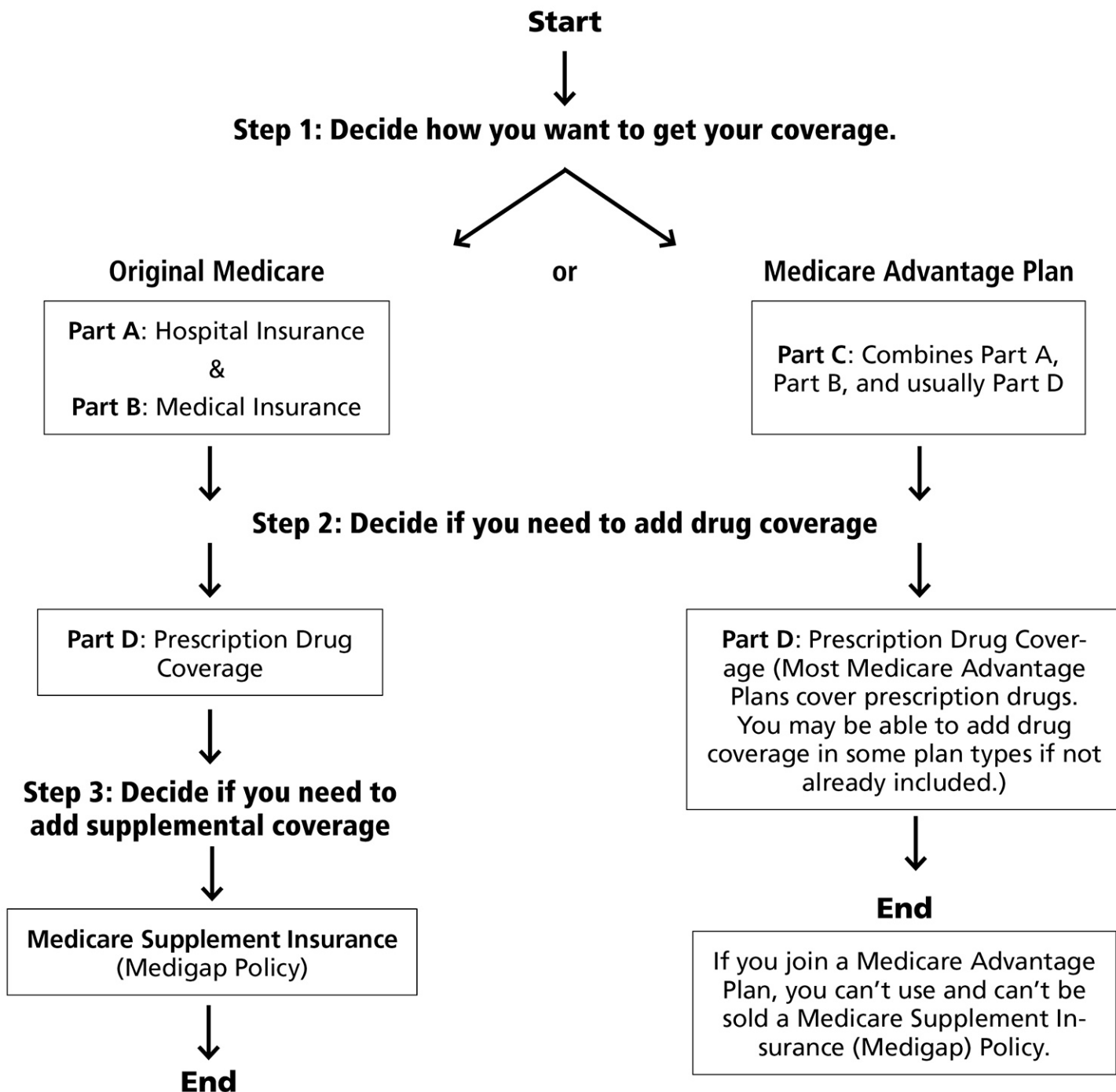
References

Centers for Medicare and Medicaid Services. 2011. *Medicare and Other Health Benefits: Your Guide to Who Pays First* (CMS Product No. 02179). Washington, DC: Government Printing Office.

Centers for Medicare and Medicaid Services. 2013. *Medicare and You: The Official U.S. Government Medicare Handbook* (CMS Product No. 10050-28). Washington, DC: Government Printing Office.

What are my Medicare coverage choices?

There are two main ways to get your Medicare coverage: Original Medicare or a Medicare Advantage Plan. Use these steps to help you decide which way to get your coverage.



Who Pays First?

Table 1. When you have Other Health Coverage

If you...	Situation	Pays First	Pays Second
Are covered by Medicare and Medicaid	Entitled to Medicare and Medicaid	Medicare	Medicaid, but only after other coverage (such as employer group health plans) has paid
Are 65 or older and covered by a group health plan because you or your spouse is still working	Entitled to Medicare	Group health plan	Medicare
	The employer has 20 or more employees	Group health plan	Medicare
	The employer has less than 20 employees*	Medicare	Group health plan
Have an employer group health plan after you retire and are 65 or older	Entitled to Medicare	Medicare	Retiree Coverage
Are disabled and covered by a large group health plan from your work, or from a family member who is working	Entitled to Medicare	Large group health plan	Medicare
	The employer has 100 or more employees	Large group health plan	Medicare
	The employer has less than 100 employees	Medicare	Group health plan
**Have end-stage renal disease (ESRD) and group health plan coverage (including a retirement plan)	First 30 months of eligibility or entitlement to Medicare	Group health plan	Medicare
	After 30 months of eligibility or entitlement to Medicare	Medicare	Group health plan
Have ESRD and COBRA coverage	First 30 months of eligibility or entitlement to Medicare	COBRA	Medicare
	After 30 months	Medicare	COBRA
Are 65 or over OR disabled and covered by Medicare and COBRA coverage	Entitled to Medicare	Medicare	COBRA
Have been in an accident where no-fault or liability insurance is involved	Entitled to Medicare	No-fault or liability insurance for services related to accident claim	Medicare
Are covered under workers' compensation because of a job-related illness or injury	Entitled to Medicare	Workers' compensation for services related to workers' compensation claim	Usually doesn't apply. However, Medicare may make a conditional payment.
Are a veteran and have Veteran's Benefits	Entitled to Medicare and Veteran's Benefits	Medicare pays for Medicare-covered services. VA pays for VA-authorized services. Note: Generally, Medicare and VA can't pay for the same service.	Usually doesn't apply
Are covered under TRICARE	Entitled to Medicare and TRICARE	Medicare pays for Medicare-covered services. TRICARE pays for services from a military hospital or any other federal provider.	TRICARE may pay second
Have black lung disease and are covered under the Federal Black Lung Benefits Program	Entitled to Medicare and the Federal Black Lung Benefits Program	The Federal Black Lung Benefits Program for services related to black lung	Medicare

*If your employer participates in a plan that is sponsored by two or more employers, the rules are slightly different

**If you originally got Medicare due to your age or a disability other than ESRD, and Medicare was your primary payer, it still pays first when you become eligible due to ESRD

Adapted From: Centers for Medicare & Medicaid Services. 2011. *Medicare and Other Health Benefits: Your Guide to Who Pays First* (CMS Product No. 02179). Washington, DC: Government Printing Office.