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## America is Aging

The Boomers are coming of age. It sounds like some kind of warning - but the fact is that in 1996, the baby boomer generation, of approximately 78 million, began turning 50 at the rate of 300,000 a month. Every day of 2006, 7,918 more people turned 65 years old - that's 330 people an hour. 55 million people in the US are over 55 years of age and 34 million are over 65 years old - and that figure will double by 2030. In 2008 the first of the baby boomers - those born in 1946 - turn 62. Age 62 is the first year a worker can begin drawing Social Security retirement benefits - albeit with early withdrawal penalties.

What does this actually mean to employers as they look at their employees? How are the company health insurance benefits affected by this aging group? Can, or should, employers assume any responsibility for communicating with their older employees?

I believe, at minimum, the company should know how their older employees are affected by this significant transition time. I call it a transition because it could be a time of change and decisions that could affect future benefits and care. So let's look at some basic information.

Social Security and Medicare are entitlement benefits. This means that a beneficiary is entitled or guaranteed coverage if they have contributed to the Social Security system for 40 quarters through their payroll taxes. This constitutes 10 years of work - the years do not have to be consecutive, nor with one employer. A beneficiary never loses credit for a quarter worked as long as the employer(s) have reported earnings.

A beneficiary is eligible for benefits on their own work record, or the record of a spouse, or ex-spouse if they were married for 10 years or more. A beneficiary is first eligible for retirement benefits under Social Security at age 62. Between 62 and 66 - the age of full retirement - a beneficiary could receive benefits. These benefits are reduced by two things - a penalty for drawing early and a reduction based on earned income - not investment income, but work income. At age 66 a beneficiary can continue working and collect their full wages and collect their full Social Security. Beneficiaries have the option of postponing Social Security until age 70 1/2. Delayed benefits are enhanced. As long as employees are able, many will continue to work until full retirement at age 66.

Medicare eligibility is still age 65, so a beneficiary could go into Medicare - the medical insurance benefits - and not collect Social Security.

If a beneficiary is working for a company with fewer than 20 eligible employees (eligible for coverage under the company health insurance plan) Medicare will be the primary (pay first) insurance, so the worker will need to enroll in Medicare prior to their 65<sup>th</sup> birthday.



If the beneficiary is working for a company with more than 20 eligible employees, the group plan will pay first. This employee has the option of delaying their contact with Social Security until they are ready to draw Social Security or until they are no longer eligible as a covered employee under the group plan and need to enroll in Medicare.

1. Employees will receive nothing in the mail reminding them of their approaching birthday. Employers might want to alert the employee approaching 65, especially if it is a small company and the employee needs to be on Medicare in order to get medical coverage.
2. Employees will need to make a decision based on their own family circumstances, so all employees may not make the same decision
3. Employees will want to determine if it makes the most sense to stay on the group health insurance plan or if they could have better benefits under Medicare and some level of supplemental coverage for the hospital, medical and prescription drugs.
4. Employees will want to look at their long term care needs. This could include actual medical and/or custodial care, as well as legal and financial issues.
5. Employers should be made aware of the Medicare Secondary Payer rules to know if the company benefits will pay primary (pay first before Medicare,) or if the company benefits will pay secondary (pay after Medicare pays.)
6. Employers should be aware of the possible restrictions under HSAs - health savings accounts. The underlying feature of the HSA is a high deductible health insurance plan sponsored by the employer. The employee and the employer can contribute to the savings plan. However, employees who are enrolled in Parts A or B of Medicare are not eligible for a contribution from the employer, nor can they contribute to their own fund.

This is not because of age, but because they are covered under Part A of Medicare. The deductible for Part A is less than \$2,000 so it disqualifies the member. An employee can postpone Social Security and therefore postpone Part A of Medicare be eligible for an HSA UNLESS the group is under 20 and the employee must be enrolled in Medicare.

As soon as an employee is no longer actively at work or chooses to terminate coverage under the group plan, they must enroll in Part B of Medicare. There is not a late enrollment penalty as long as the beneficiary enrolls when they are or have just retired from active work and have been covered under the group insurance plan. Coverage under COBRA does not count - active employment does.

Ultimately the employee will look at the four (4) parts of Medicare and design a coverage plan that best meets their needs. A beneficiary is entitled to Part A and pays no additional premium because they have contributed to that through payroll taxes. Part A provides for hospital and skilled nursing care. Part B requires a premium (determined by level of income.) Part B provides for office visits, provider care and durable equipment. A beneficiary could purchase a supplement to cover deductibles and co-insurance. Part C is a Medicare substitute plan under Medicare Advantage and replaces hospital, medical and drug benefits. Part D is a stand-alone prescription drug plan.

Confused yet? The responsibility of the employer is not to know all the circumstances of their employees and the issues that could affect their choices. The responsibility is to know the circumstances of their company and, in general, how those circumstances could affect the individual employees as they age. The employer can then decide what type of education they want to make available for their employees. There are resources and training available through the EAP - it is worth taking advantage of the assistance.

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