

Common penalties & pitfalls.

The mistakes that quietly cost employees, and sometimes employers, the most. Share this list, then hand the specifics to a salaried advocate.

HSA

HSA contributions stop at Part A

Once an employee enrolls in Medicare Part A, they can no longer contribute to an HSA. Excess contributions face an extra 6% tax for each year the funds remain, and Part A can backdate up to 6 months.

+6% tax / yr

6-month lookback on delayed Part A

Part A

Usually penalty-free to delay

There is typically no penalty for delaying Part A, unless the employee delayed without creditable coverage and hasn't paid 40 quarters into Medicare to earn premium-free Part A.

No penalty*

*If 40 quarters paid + creditable coverage

Part B

A permanent late penalty

A 10% permanent penalty applies for every 12 months an employee went without creditable coverage and didn't enroll in Part B after turning 65.

10% / 12 mo

Permanent, for life

Part D

Small monthly penalty adds up

A 1% permanent penalty applies for every month an employee went without creditable drug coverage and didn't enroll in Part D after turning 65.

1% / month

Permanent, for life

COBRA

COBRA is not creditable coverage

For Medicare, COBRA doesn't count as creditable coverage. Leaving active coverage opens an 8-month Special Enrollment Period for Part B, and COBRA may deny costs (like 80% of outpatient services) that Medicare would have covered as primary.

8-month SEP

Clock starts at active-employment end