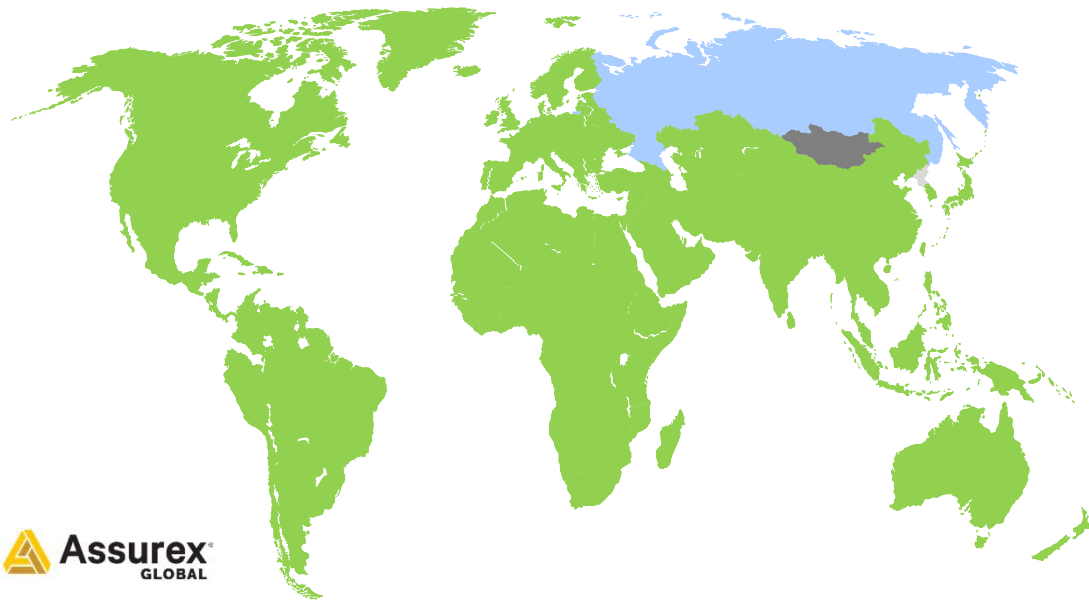


Navigating Employer-Sponsored Coverage & Medicare

Presented by Lumelight
March 2026

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AGENDA

Medicare Basics

Compliance Considerations:

- Medicare Secondary Payer (MSP) Rules

- Medicare Part D Creditable Coverage

- COBRA Continuation

- Cafeteria Plans

- Health Savings Accounts (HSAs)

- Health Reimbursement Arrangements (HRAs)

Deciding When To Enroll in Medicare

Medicare Basics

- 3 Types of Medicare Eligibility
 - Age-based (65 or older)
 - Disability-based
 - End Stage Renal Disease (ESRD)-based

**ALS can also trigger Medicare-eligibility*

Medicare Eligibility \neq Medicare Entitlement

Medicare Part A

Effective Date

- Initial enrollment period: Coverage starts the month the individual turns 65 or the previous month for those whose birthday is the 1st of the month
- Delayed enrollment: Coverage is retroactive up to 6 months, but never earlier than the month the individual turned 65

Enrollment

- Individuals receiving social security benefits become entitled automatically upon becoming eligible for Medicare
- Individuals not yet receiving social security benefits need to sign up and can generally delay enrollment

Medicare Part B

Effective Date

- The month an individual turns 65 or the month after an individual signs up if the individual delays enrollment

Enrollment

- Individuals can delay enrollment, but will face a late enrollment penalty if enrollment doesn't occur within 8 months of losing employer-sponsored coverage tied to current employment status (or current employment status of a spouse)
 - Group health plan coverage offered by employer with <20 employees as well as COBRA or retiree coverage do NOT count as creditable coverage for this purpose
- Penalty is 10% added to the monthly premium for each year the individual delays enrollment without other coverage

Medicare Part D

Effective Date

- The month an individual turns 65 or the month after an individual signs up if the individual delays enrollment

Enrollment

- Individual is not eligible for Medicare Part D until an individual enrolls in Part A or B (or both)
- Individuals can delay enrollment, but will face a late enrollment penalty if the individual goes 63 or more days without creditable prescription drug coverage
 - Creditable coverage is determined using actuarial method or simplified method
 - Penalty is 1% added to the monthly premium for each month of non-creditable coverage

Compliance Considerations

Medicare Secondary Payer (MSP) Rules

- Active Plan Participants

Size of Employer	Age-Based Medicare	Disability-Based Medicare	ESRD-Based Medicare
<20 employees	Secondary Payer	Secondary Payer	Primary payer first 30 months
20 – 99 employees	Primary Payer	Secondary Payer	Primary payer first 30 months
100+ employees	Primary Payer	Primary Payer	Primary payer first 30 months

- Retiree or COBRA Participants

- Medicare is primary except for ESRD-based Medicare

Enforcement/Visibility → MSP Mandatory Reporting (§111)

- Required quarterly for group health plans with 20 or more employees
- Typically handled by insurance carrier or TPA

Medicare Secondary Payer (MSP) Rules

- Rules When Employer's Plan is Primary



Prohibited from “taking into account” the Medicare entitlement of a current employee or a current employee's spouse or family member

Required to provide a current employee or spouse who is 65 or older with the **same benefits, under the same conditions**, as are provided to under age 65 employees and spouses

Cannot incent individuals who are eligible for Medicare not to enroll in the group health plan by paying for Medicare or otherwise

Medicare Secondary Payer (MSP) Rules

- Noncompliance
 - Civil penalties of up to \$5,000 per violation
 - Excise tax penalty of 25% of employer's expenses incurred during the calendar year for each group health plan (both conforming and non-conforming)

Medicare Part D Creditable Coverage

- **Group Health Plans** must make a determination as to whether their prescription drug coverage is "creditable" or "non-creditable"
- **"Creditable" coverage** has an actuarial value equal to or exceeding the standard Medicare Part D prescription drug coverage
- **Two determination methods:** actuarial analysis or simplified determination method



Medicare Part D Creditable Coverage

Plans can choose either method for 2026 plan years...2027?

Original Simplified Method (2009)

Plan is creditable if:

- Provides coverage for brand and generic prescriptions
- Provides reasonable access to retail pharmacies
- Designed to pay on average at least 60% of prescription drug expenses, plus:
 - No annual maximum benefit or minimum benefits of at least \$25,000 OR
 - Expected to pay at least \$2,000 annually per Medicare-eligible individual

Revised Simplified Method (2026)

Plan will be creditable if:

- Provides coverage for brand and generic prescriptions and biological products
- Provides reasonable access to retail pharmacies
- Designed to pay on average at least 72% of prescription drug expenses

Medicare Part D Creditable Coverage

- Employer Notice & Reporting
 - Disclosures to eligible individuals upon initial eligibility and annually
 - Reporting to CMS within 60 days after the start of each plan year

- Penalty for Non-Compliance

Employer/Plan
Consequences

- No specific civil or criminal penalty, but is required
- Could result in a loss of the retiree subsidy

Individual
Consequences

- Could result in Medicare-eligible individuals missing enrollment opportunities and paying late enrollment penalties

COBRA Continuation

- Loss of Coverage Triggered by a Qualifying Event → COBRA Continuation

COBRA Qualifying Events

- Termination of employment
- Reduction in hours
- Death of covered employee
- Divorce / Legal separation
- **Employee's Medicare entitlement**
- Dependent child ceases to be a dependent

- Employee's Medicare Entitlement
 - Medicare entitlement will rarely cause a loss of coverage (due to MSP rules), so **generally not a qualifying event or second qualifying event**
 - Employee may need to remain enrolled to maintain coverage for spouse and dependents

COBRA Continuation

- Maximum Coverage Periods

Entitled to Medicare AFTER electing COBRA

- COBRA coverage can be terminated early for Medicare enrollee
- Does not affect COBRA rights of other qualified beneficiaries in family

Entitled to Medicare BEFORE electing COBRA

- COBRA offer must be available for the maximum coverage period
- Special extension for spouse and dependents (when employee's qualifying event occurs within 18 months after enrollment in Medicare)
 - Greater of 36 months from Medicare enrollment or 18 months from qualifying event

COBRA Continuation – Example 1

Employee retires in July 2026
 Retiree turns 65 in mid-March 2027 and enrolls in Medicare

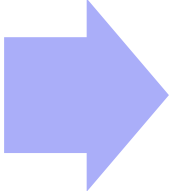


- Retiree's coverage terminates upon Medicare enrollment
- Family's coverage remains available for 18 months

	2026 Aug	2026 Sept	2026 Oct	2026 Nov	2026 Dec	2027 Jan	2027 Feb	2027 Mar	2027 Apr	2027 May	2027 Jun	2027 Jul	2027 Aug	2027 Sept	2027 Oct	2027 Nov	2027 Dec	2028 Jan	
Retiree	8 months of coverage																		
Family	18 months of coverage																		

COBRA Continuation – Example 2

Employee enrolls in Medicare in August 2026 and remains enrolled in employer's group health plan
Employee retires in January 2027



- Retiree must be offered COBRA for up to 18 months
- Family must be offered COBRA for up to 36 months from Medicare enrollment

	2026 Aug	2026 Sept	2026 Oct	2026 Nov	2026 Dec	2027 Jan	2027 Feb	2027 Mar	2027 Apr	2027 May	2027 Jun	2027 Jul	2027 Aug	2027 Sept	2027 Oct	2027 Nov	2027 Dec	2028 Jan	2028 Feb	2028 Mar	2028 Apr	2028 May	2028 Jun	2028 Jul	2028 Aug	2028 Sept	2028 Oct	2028 Nov	2028 Dec	2029 Jan	2029 Feb	2029 Mar	2029 Apr	2029 May	2029 Jun	2029 Jul		
Retiree																																						
Family																																						

Cafeteria Plans

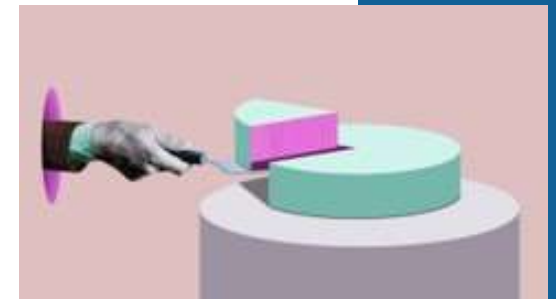
- Medicare premiums generally cannot be paid pre-tax through a cafeteria plan
- Health FSAs cannot be used to reimburse insurance premiums
- Election Changes
 - Entitlement to (enrollment in) Medicare allows a prospective election change to cancel or reduce pre-tax contributions for the individual enrolled in the plan
 - Loss of Medicare eligibility allows a prospective election to commence or increase pre-tax contributions for the individual who lost coverage

Health Savings Accounts (HSAs)

- **Eligibility for Medicare doesn't affect HSA-eligibility**
- **Enrollment in any part of Medicare causes a loss of HSA-eligibility**

Loss of HSA-Eligibility Mid-Year

- Results in a pro-rated contribution limit (1/12 of annual limit for each month of HSA-eligibility)
 - Pro-rated contributions can be made any time between beginning of calendar year and April 15 of the following year
- Remaining HSA amounts can continue to be used for qualifying medical expenses until exhausted



Health Savings Accounts (HSAs)

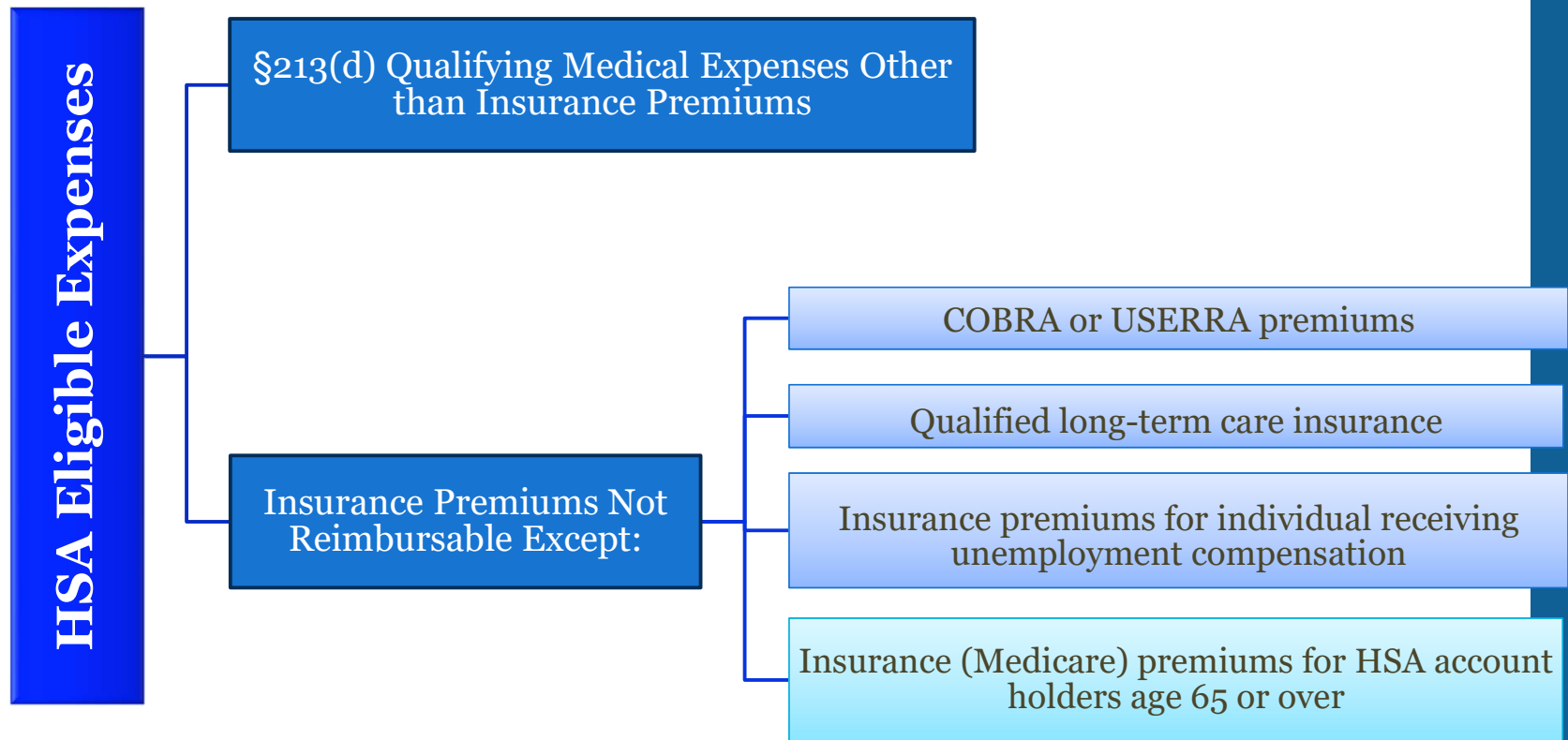
- HSA Contribution Limit (Include Employer & Employee Contributions)



- Example

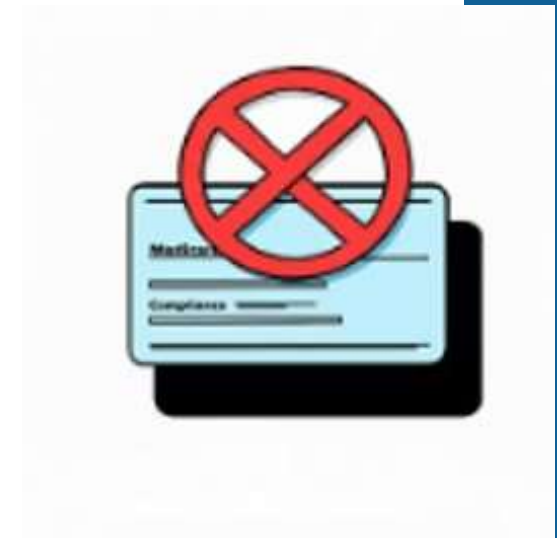


Health Savings Accounts (HSAs)



Health Reimbursement Arrangements (HRAs)

- Reimbursement of Medicare premiums creates a prohibited employer payment plan and violates MSP rules for most employers
- Exceptions:
 - Retiree HRAs
 - Individual coverage HRAs (ICHRAs)
 - Qualified small employer HRAs (QSEHRAs)
 - Small employer (<20 employees) HRAs



Individual Coverage HRAs (ICHRAs)

- ICHRA Basics

Funded solely with employer contributions (like all other HRAs)

Must be available only to those enrolled in individual health coverage or Medicare

Same employees cannot be offered both a group medical plan and an ICHRA

Must offer uniform ICHRA coverage to all employees within a “class”

- Permitted Classes (Medicare is not a permitted class)

Full-time employees

Part-time employees

Salaried employees

Non-Salaried employees

Seasonal employees

Union employees

Employees by geographic location

Employees in a waiting period

Non-resident aliens with no U.S. income

Temporary employees of staffing firms

Qualified Small Employer HRAs (QSEHRAs)



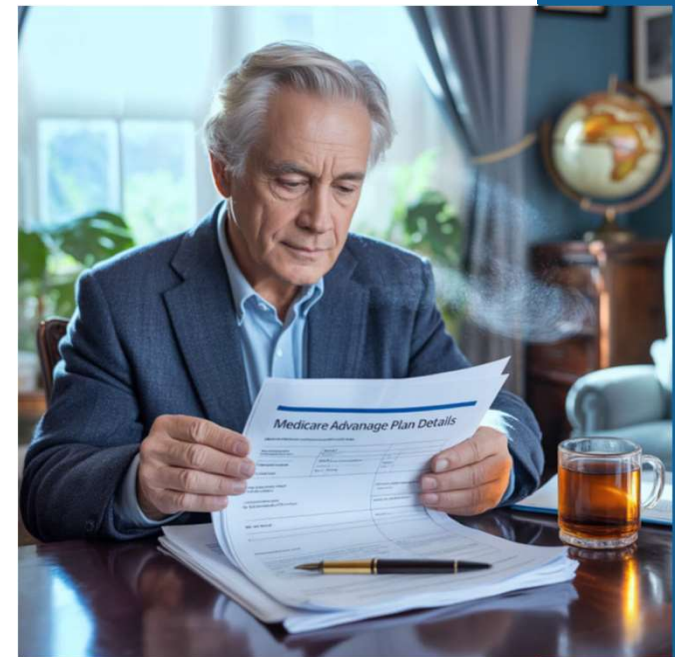
Requirements

- Can be offered only by small employers (<50 FTEs) who don't offer a traditional group health plan
- Must be provided (not offered) uniformly to all employees with a few exceptions
- Reimbursement available only to individuals enrolled in minimum essential coverage (group, individual or Medicare)
- Employer funding capped at \$6,450 for single / \$13,100 for family in 2026
- Can reimburse all qualifying medical expenses, including premiums

Deciding When to Enroll in Medicare

Deciding When to Enroll In Medicare

- **Small Employer** – Employer’s Plan is Secondary
 - May exclude those who are Medicare-eligible
 - May have Medicare Estimation Clause where plan will only pay secondary regardless of whether the individual is enrolled in Medicare
 - Employee may need to enroll in Medicare to avoid limited coverage and/or late enrollment penalties
 - Employer could provide Medicare reimbursement via an HRA



Deciding When to Enroll In Medicare

- **Large Employer** – Employer’s Plan is Primary
 - Employee could delay Medicare enrollment, drop the employer’s plan and move to Medicare, or have dual coverage
 - May want to maintain employer’s HDHP to continue contributing to an HSA
 - May want to maintain employer’s plan to for spouses and dependents



Deciding When to Enroll in Medicare



- **Retirees / COBRA Participants**
 - Plan may exclude those who are Medicare-eligible
 - Could have Medicare Estimation Clause where plan will only pay secondary
 - Medicare-eligible individual will likely need to enroll in Medicare right away to avoid limited coverage and/or late enrollment penalties
 - Family members may be able to continue retiree coverage
 - Family members would have individual COBRA continuation rights



Questions

Webinar Wrap-Up

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100+
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\$47B
Annual
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175
Countries