

Information partners can use on:

The Part D Late Enrollment Penalty

What's the Part D late enrollment penalty?

The late enrollment penalty (also called the “LEP” or “penalty”) is an amount that may be permanently added to a person’s monthly premium for Medicare drug coverage (Part D). A person may owe a late enrollment penalty if, after their Initial Enrollment Period (when they first get Medicare Part A and/or Part B), they go without Part D or other creditable prescription drug coverage for any period of 63 or more days in a row.

Generally, the Part D late enrollment penalty is added to the person’s monthly premium for as long as they have Medicare drug coverage, even if the person changes their Medicare plan. This also means that if a person joins a plan that has a \$0 monthly premium, they’ll still pay a monthly late enrollment penalty. The late enrollment penalty amount changes each year. The cost of the late enrollment penalty depends on how long the person went without Part D or other creditable prescription drug coverage.

What's creditable prescription drug coverage?

Creditable prescription drug coverage (also called “creditable coverage”) is coverage that’s expected to pay, on average, at least as much as Medicare’s standard prescription drug coverage. Health plans that offer prescription drug coverage, like plans from employers or unions, must notify their Part D-eligible members if the coverage they offer is creditable coverage. If a person eligible for Medicare doesn’t get a written notice, their plan may share this information in its benefits handbook. If they don’t know if the drug coverage they have is creditable, they should contact the plan to find out.

How's the late enrollment penalty calculated?

Medicare calculates the penalty by multiplying 1% of the “national base beneficiary premium” (also called the “base beneficiary premium”) by the number of full, uncovered months the person didn't have Part D or creditable coverage. The monthly penalty is rounded to the nearest \$.10 and added to their monthly Part D premium.

The base beneficiary premium for 2024 is \$34.70. This amount may change each year, so the penalty amount can also change each year. Medicare uses the current coverage year's base beneficiary premium to calculate the penalty amount.

Example 1

Mr. Ray joined a plan with Medicare drug coverage before the end of his Initial Enrollment Period in February 2021 and disenrolled from that plan effective December 31, 2021. He later joined another plan in Fall 2023 during the Open Enrollment Period, with coverage effective January 1, 2024. Mr. Ray went a full 24 months (January 1, 2022–December 31, 2023) without creditable coverage.

Starting January 1, 2024, he has to pay a penalty equal to 24% (1% for each full, uncovered month that he went without creditable coverage) of the base beneficiary premium for 2024 (\$34.70). The penalty amount is \$8.33 each month. Since the monthly penalty is always rounded to the nearest \$0.10, Mr. Ray will pay \$8.30 each month in addition to his plan's monthly premium in 2024.

Here's the math:

.24 (24% penalty) x **\$34.70** (2024 base beneficiary premium) = **\$8.33**

\$8.33 rounded to the nearest \$0.10 = **\$8.30**

\$8.30 = Mr. Ray's monthly late enrollment penalty. This amount is added to his plan's monthly premium.

How's the late enrollment penalty calculated? (continued)

Example 2

Mrs. Martinez currently qualifies for Medicare, and her Initial Enrollment Period ended on July 31, 2020. She doesn't have prescription drug coverage from any other source. She didn't join a plan with Medicare drug coverage by July 31, 2020, and instead joined during the Open Enrollment Period that ended December 7, 2022. Her drug coverage was effective January 1, 2023.

Since Mrs. Martinez was without creditable prescription drug coverage for 29 full months (August 2020–December 2022), the penalty in 2023 was 29% (1% for each of the 29 months) of \$32.74 (the base beneficiary premium for 2023), or \$9.49. Since the monthly penalty is always rounded to the nearest \$0.10, she paid \$9.50 each month in 2023 in addition to her plan's monthly premium.

Here's the math:

$.29$ (29% penalty) \times **\$32.74** (2023 base beneficiary premium) = **\$9.49**

\$9.49 rounded to the nearest \$0.10 = **\$9.50**

\$9.50 = Mrs. Martinez's monthly late enrollment penalty for 2023. This amount is added to her plan's monthly premium.

In 2024, Medicare will recalculate Mrs. Martinez's penalty using the 2024 base beneficiary premium (\$34.70). So, the new monthly penalty in 2024 will be 29% of \$34.70, or \$10.06. Since the monthly penalty is always rounded to the nearest \$0.10, she'll pay \$10.10 each month in addition to her plan's monthly premium.

Here's the math:

$.29$ (29% penalty) \times **\$34.70** (2024 base beneficiary premium) = **\$10.06**

\$10.06 rounded to the nearest \$0.10 = **\$10.10**

\$10.10 = Mrs. Martinez's monthly late enrollment penalty for 2024. This amount is added to her plan's monthly premium.

If Medicare's systems show someone has a break in creditable coverage, will that person have a chance to tell the plan about their prior drug coverage?

Yes. When a person joins a plan with Medicare drug coverage, the plan will review Medicare's systems to find out if that person had a potential break in creditable coverage for 63 or more days in a row. If so, the plan will send the person a notice asking for information about prior drug coverage. **It's very important that they sign this form and return it by the date on the form, because this is their chance to let the plan know about prior coverage that might not be in Medicare's systems.**

Is there a late enrollment penalty if a person waits 1 month after they were first eligible to add Medicare drug coverage?

No. A person must be without creditable coverage 63 or more days in a row any time after they were first eligible for Medicare drug coverage to be charged a late enrollment penalty. Since this person had only one month without Part D or other creditable coverage, they wouldn't pay a penalty.

Is there a late enrollment penalty if a person gets Extra Help?

No. People who qualify for Extra Help won't be charged a late enrollment penalty. If a person drops their Medicare drug coverage and goes 63 or more days in a row without other creditable coverage, Medicare may charge a late enrollment penalty if they join Medicare drug coverage later **and no longer qualify for Extra Help**. However, when Medicare determines the person's late enrollment penalty, Medicare won't count any uncovered months before the person qualified for Extra Help.

Is there a late enrollment penalty if a person gets Extra Help? (continued)

Example 3

Mrs. Kim didn't add Medicare drug coverage before her Initial Enrollment Period ended in July 2021. In October 2021, she joined a Medicare drug plan (effective January 1, 2022). She qualified for Extra Help, so she wasn't charged a late enrollment penalty for the uncovered months in 2021.

Mrs. Kim dropped her Medicare drug plan effective June 30, 2022. She joined another Medicare drug plan in October 2023 during the Open Enrollment Period, and her coverage with the new plan started January 1, 2024.

She **didn't** qualify for Extra Help when she joined a Medicare drug plan in October 2023.

Mrs. Kim hasn't had other creditable coverage since leaving her first Medicare drug plan in June 2022 and joining the new Medicare drug plan in October 2023. However, she still qualified for Extra Help from July 2022 through December 2022.

Medicare doesn't count these months toward calculating Mrs. Kim's late enrollment penalty:

- The 5 uncovered months from 2021, before Mrs. Kim qualified for Extra Help
- The 6 uncovered months in 2022 that Mrs. Kim didn't have creditable coverage because she still qualified for Extra Help through December 2022

Medicare does count these months toward calculating her late enrollment penalty:

- The 12 full months in 2023 that Mrs. Kim didn't have creditable coverage and didn't qualify for Extra Help

Starting January 1, 2024, Mrs. Kim will pay 12% of the base beneficiary premium for 2024 (1% for each full, uncovered month that she didn't have creditable coverage and didn't qualify for Extra Help). The base beneficiary premium for 2024 is \$34.70, so the penalty amount equals \$4.16 each month. Since the monthly penalty is always rounded to the nearest \$0.10, Mrs. Kim pays \$4.20 each month in addition to her plan's monthly premium in 2024.

Here's the math:

$.12$ (12% penalty) x **\$34.70** (2024 base beneficiary premium) = **\$4.16**

\$4.16 rounded to the nearest \$0.10 = **\$4.20**

\$4.20 = Mrs. Kim's monthly late enrollment penalty for 2024. This amount is added to her plan's monthly premium.

What if a person doesn't agree with the late enrollment penalty?

If a person doesn't agree with the late enrollment penalty, they can ask Medicare to review the decision. This is called a "reconsideration." Their plan will send them a list of reasons they can ask for their case to be reviewed, and a form they can fill out to start the review process.

They should complete the form and return it to the address or fax number of the Medicare contractor listed on the form. The person must mail or fax the form within 60 days from the date on the original letter stating that they had to pay a late enrollment penalty. Medicare's contractor may accept a late reconsideration request if the person shows good cause for filing late. The person should also send any proof that supports their case, like information about previous creditable coverage. For example, if the person had drug coverage from another source (like the military, an employer, or a union plan), they should send a copy of the notice of creditable prescription drug coverage from that plan.

Can a person who doesn't agree with the late enrollment penalty pay only the premium and ignore the penalty?

No. Under federal law, the late enrollment penalty is part of the premium, so a person who has a late enrollment penalty must pay it with their premium. A person with a late enrollment penalty must also pay the penalty even if they ask for a reconsideration and are waiting for Medicare's contractor to make a decision. Medicare plans can disenroll members who don't pay their premiums, including the late enrollment penalty portion of the premium.

How quickly does a Medicare contractor make a reconsideration decision?

Generally, Medicare's contractor makes reconsideration decisions within 90 days. The contractor will try to make a decision as quickly as possible. Medicare's contractor may take an additional 14 days to resolve a person's case if they have good cause.

What happens if Medicare’s contractor decides the penalty is incorrect?

If Medicare’s contractor decides that all or part of a person’s late enrollment penalty is wrong, the Medicare contractor will send them and their drug plan a letter explaining the decision.

The plan will:

- Remove or lower the late enrollment penalty.
- Notify the person of their correct premium amount.
- Explain if the person will get a refund for the penalty amounts paid while their case was being reviewed.

What happens if Medicare’s contractor decides the penalty is correct?

If Medicare’s contractor decides that a person’s late enrollment penalty is correct, the contractor will send them a letter explaining the decision, and the person must continue to pay the penalty.

For more information

- Visit [Medicare.gov/basics/costs/medicare-costs/avoid-penalties](https://www.medicare.gov/basics/costs/medicare-costs/avoid-penalties).
- Call 1-800-MEDICARE (1-800-633-4227). TTY users can call 1-877-486-2048.



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