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, they go without Part D or other creditable prescription drug coverage for any period of 63 days or more in a row.

Generally, the late enrollment penalty is added to the person’s monthly Part D 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 owe a 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. Most plans that offer prescription drug coverage, like plans from employers or unions, must send their Part D eligible members a yearly notice explaining if it’s creditable coverage. If a person with 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”) times the number of full, uncovered months the person didn’t have Part D or creditable coverage. The monthly premium is rounded to the nearest $.10 and added to their monthly Part D premium.

The base beneficiary premium for 2023 is $32.74. 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 Medicare plan before the end of his Part D Initial Enrollment Period in February 2020. However, he disenrolled from that Medicare plan effective December 31, 2020. If he later joins another Medicare plan in Fall 2022 during the Open Enrollment Period, his coverage with his new plan will be effective January 1, 2023. Between leaving his last Medicare plan and joining the new Medicare plan, he didn’t have credible coverage for a full 24 months (January 1, 2021–December 31, 2022).

So, starting January 1, 2023, he has to pay 24% (1% for each full, uncovered month that he was without creditable coverage since leaving his first Medicare plan and joining his current plan) of the base beneficiary premium for 2023 ($32.74). Mr. Ray’s penalty amount is $7.86 each month. Since the monthly penalty is always rounded to the nearest $0.10, he’ll pay $7.90 each month in addition to his plan’s monthly premium in 2023.

Here’s the math:

\[ 0.24 \times 32.74 = 7.86 \]

$7.86 rounded to the nearest $0.10 = $7.90

$7.90 = Mr. Ray’s monthly late enrollment penalty
Example 2

2022

Mrs. Martinez is currently eligible for Medicare, and her Initial Enrollment Period ended on July 31, 2019. She doesn’t have prescription drug coverage from any other source. She didn’t join by July 31, 2019, and instead joined during the Open Enrollment Period that ended December 7, 2021. Her drug coverage was effective January 1, 2022.

Since Mrs. Martinez was without creditable prescription drug coverage from August 2019–December 2021, her penalty in 2022 was 29% (1% for each of the 29 months) of $33.37 (the base beneficiary premium for 2022), or $9.68. Since the monthly penalty is always rounded to the nearest $0.10, she paid $9.70 each month in addition to her plan’s monthly premium.

Here’s the math:

\[ 0.29 \times 33.37 = 9.68 \]
\[ 9.68 \text{ rounded to the nearest } 0.10 = 9.70 \]
\[ 9.70 = \text{Mrs. Martinez’s monthly late enrollment penalty for 2022} \]

2023

In 2023, Medicare will recalculate Mrs. Martinez’s penalty using the 2023 base beneficiary premium ($32.74). So, Mrs. Martinez’s new monthly penalty in 2023 will be 29% of $32.74, or $9.49. Since the monthly penalty is always rounded to the nearest $0.10, she will pay $9.50 each month in addition to her plan’s monthly premium.

Here’s the math:

\[ 0.29 \times 32.74 = 9.49 \]
\[ 9.49 \text{ rounded to the nearest } 0.10 = 9.50 \]
\[ 9.50 = \text{Mrs. Martinez’s monthly late enrollment penalty for 2023} \]

Generally, the person will continue to owe a penalty for as long as they have Medicare drug coverage. This means that even if they decide to join another Medicare plan, they’ll still have to pay the penalty once they join a new plan. This also means that if a person joins a plan that has a $0 monthly premium, they’ll still owe a penalty.
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?

When a person joins a Medicare plan, the plan will review Medicare’s systems to find out if the person had a potential break in creditable coverage for 63 days or more in a row. If so, the plan will send the person a notice asking for information about prior prescription drug coverage. It’s very important that they complete 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. Also, the person can, but isn’t required to, send any proof of their prior coverage, like a copy of the notice of creditable prescription drug coverage from an employer or union health plan. If the plan allows the person to give this information over the phone instead, they must do so by the date on the form.

The information helps the plan tell if there was a gap in creditable coverage of 63 days or more in a row. If the person doesn’t give this information to the plan by the date on the form, the plan will determine how many full, uncovered months the person was eligible to join Medicare drug coverage and didn’t, based on the information in Medicare’s systems. Then, Medicare (not the plan) will determine the late enrollment penalty amount using the calculation method described on pages 2 and 3.

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

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

Is there a late enrollment penalty if a person gets Extra Help and had a break in coverage?

No. People who qualify for Extra Help under Part D won’t be charged a late enrollment penalty when they join a Medicare drug plan. If a person drops their Medicare drug plan and goes 63 days or more in a row without other creditable coverage, Medicare may charge a late enrollment penalty if they join a Medicare plan later and are no longer eligible for Extra Help. However, when Medicare determines the person’s late enrollment penalty, Medicare won’t count any uncovered months from before the person became eligible for Extra Help.
Is there a late enrollment penalty if a person gets Extra Help and had a break in coverage? (continued)

Example 3
Mrs. Kim didn’t add Medicare drug coverage before her Initial Enrollment Period ended in July 2020. In October 2020, she joined a Medicare drug plan (effective January 1, 2021). She qualified for Extra Help, so she wasn’t charged a late enrollment penalty for the uncovered months in 2020. However, Mrs. Kim dropped her Medicare drug plan effective June 30, 2021. She later joined another Medicare drug plan in October 2022 during the Open Enrollment Period, and her coverage with the new plan will be effective January 1, 2023. She doesn’t qualify for Extra Help when she joined in October 2022.

Since leaving her first Medicare drug plan in June 2021 and joining the new Medicare drug plan in October 2022, she hasn’t had other creditable coverage. However, she was still deemed eligible for Extra Help through December 2021. When Medicare determines her late enrollment penalty, Medicare doesn’t count:

- The uncovered months from 2020, before Mrs. Kim became eligible for Extra Help
- The uncovered months in 2021 that Mrs. Kim didn’t have creditable coverage because she was still deemed eligible for Extra Help through December 2021

For 12 full months (January–December 2022), Mrs. Kim doesn’t have creditable coverage and isn’t deemed eligible for Extra Help. So, effective January 1, 2023, she’ll pay 12% of the base beneficiary premium for 2023 (1% for each full, uncovered month that she was without creditable coverage and wasn’t deemed eligible for Extra Help). The base beneficiary premium for 2023 is $32.74, so Mrs. Kim’s penalty amount will be $3.93 each month. Since the monthly penalty is always rounded to the nearest $0.10, she’ll pay $3.90 each month in addition to her plan’s monthly premium in 2023.

Here’s the math:

\[ 0.12 \times \$32.74 = \$3.93 \]

$3.93 rounded to the nearest $0.10 = $3.90

$3.90 = Mrs. Kim’s monthly late enrollment penalty for 2023
What if a person doesn’t agree with the late enrollment penalty?

If a person doesn’t agree with the late enrollment penalty, they may be able to ask Medicare to review its decision. This is called a “reconsideration.” The person’s Medicare plan will send information about how to request a reconsideration. The form lists the reasons a person can ask for and get a review of their case.

If the person wants a review of their case, 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 the person had to pay a late enrollment penalty. Medicare’s contractor may accept a late reconsideration request if the person shows good cause for late filing. 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 the military, an employer, or union plan, they may provide a copy of the notice of creditable prescription drug coverage from the military-related, employer, or union 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 asked 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 soon will a person get 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. However, a person may request an extension. Or, for good cause, Medicare’s contractor may take an additional 14 days to resolve a person’s case.
What happens if the late enrollment penalty reconsideration decides the penalty is wrong?

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 its decision. The Medicare drug plan will remove or lower the late enrollment penalty. The plan will send the person a letter that shows their correct premium amount and explains if they’ll get a refund.

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 pay the penalty.
You have the right to get Medicare information in an accessible format, like large print, braille, or audio. You also have the right to file a complaint if you feel you’ve been discriminated against. Visit Medicare.gov/about-us/accessibility-nondiscrimination-notice, or call 1-800-MEDICARE (1-800-633-4227) for more information. TTY users can call 1-877-486-2048.

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