



Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

Audit Report

Medicare Part B Premium
Penalties

072402 March 2026



Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: March 31, 2026

Refer to: 072402

To: Frank Bisignano
Commissioner

From: Michelle L. Anderson *Michelle L. Anderson*
Assistant Inspector General for Audit as First Assistant

Subject: Medicare Part B Premium Penalties

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration accurately assessed Medicare Part B premium penalties for Old-Age and Survivors Insurance beneficiaries.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Jeffrey Brown, Deputy Assistant Inspector General for Audit.

Attachment

Medicare Part B Premium Penalties

072402



March 2026

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) accurately assessed Medicare Part B premium penalties for Old-Age and Survivors Insurance (OASI) beneficiaries.

Background

SSA and the Centers for Medicare and Medicaid Services share administrative responsibilities for Medicare. Medicare is a Federal health insurance program for individuals who are age 65 or older (as well as individuals under age 65 with certain medical conditions or disabilities). The Centers for Medicare and Medicaid Services is the program's primary administrator. SSA handles key aspects of Medicare's medical insurance program, Medicare Part B (Part B). Specifically, SSA enrolls beneficiaries, establishes applicable premium penalties, and collects premiums from individuals who receive Social Security benefits. If an individual signs up for Part B after their Initial Enrollment Period, they may have to pay a late enrollment penalty.

We identified 101,516 OASI beneficiaries who enrolled in Part B during the 2023 and/or 2024 General Enrollment Periods and whom SSA penalized for late enrollment. We reviewed a random sample of 200 of these beneficiaries.

Results

SSA employees accurately processed 177 of the 200 Part B applications we reviewed. However, SSA employees did not accurately process the applications for the remaining 23 beneficiaries. As a result, SSA's systems improperly assessed approximately \$24,000 in Part B premium penalties.

Based on our sample results, we estimate SSA employees accurately processed approximately 90,000 beneficiaries' applications and did not accurately process 12,000 beneficiaries' applications. As a result, SSA's systems improperly assessed about \$12 million in Part B premium penalties.

These errors occurred because SSA employees did not consider Group Health Plan coverage, the impact of U.S. residency and lawful presence start dates on Initial Enrollment Period determinations, deemed enrollment, Exceptional Conditions, Special Enrollment Periods, and equitable relief.

We also found SSA's Medicare enrollment notices did not clearly explain the Part B late enrollment penalty. Although the notices included the total Part B premium amount, none of the 200 notices sent to our sampled beneficiaries included detailed penalty information. In addition, Notices of Award SSA sent 8 of our 200 sampled beneficiaries who refused Part B in 2023 and/or 2024 before later enrolling in the General Enrollment Period did not always include a clear explanation of the consequences of delaying or refusing enrollment. SSA did not provide information about the potential penalty for late enrollment in the notices it sent. SSA informed us the notices did not include additional information because SSA employees cover these details during the in-person/telephone application process. Beneficiaries who apply online can obtain additional information regarding Part B if they click a link during the application process.

Recommendations

We made three recommendations for SSA to take corrective actions on beneficiaries' accounts, update the health insurance screen in its systems, and establish controls to prevent future incorrect processing. SSA agreed to implement our recommendations.

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ABBREVIATIONS

C.F.R.	Code of Federal Regulations
GEP	General Enrollment Period
GHP	Group Health Plan
IEP	Initial Enrollment Period
LIS	Low-income Subsidy
MSP	Medicare Savings Program
OASI	Old-Age and Survivors Insurance
OIG	Office of the Inspector General
Part B	Medicare Part B
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
SEP	Special Enrollment Period
SSA	Social Security Administration
U.S.C.	United States Code

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) accurately assessed Medicare Part B premium penalties for Old-Age and Survivors Insurance (OASI) beneficiaries.

BACKGROUND

SSA and the Department of Health and Human Services through the Centers for Medicare and Medicaid Services share responsibilities in administering Medicare, the Federal health insurance program for individuals age 65 and older (as well as individuals under age 65 who have certain medical conditions or disabilities).¹ The Centers for Medicare and Medicaid Services is the primary administrator of Medicare while SSA handles key aspects of Medicare's medical insurance program, known as Part B. Specifically, SSA enrolls beneficiaries, establishes applicable premium penalties, and collects premiums from individuals who receive Social Security benefits.

SSA's systems automatically enroll in Part B those OASI beneficiaries who are age 65, which is their first eligible age, unless they decline coverage. If beneficiaries have previously declined automatic enrollment in Part B or if individuals apply for Part B alongside their OASI application, SSA employees process their applications manually. SSA may apply a late enrollment penalty to a beneficiary's Part B monthly premium in certain situations. SSA's systems generally calculate and assess penalties based on the enrollment information and other related factors employees input.² SSA systems assess a penalty of 10 percent of the Part B base premium for each full year the beneficiary could have been enrolled but was not and remains for as long as the beneficiary is covered by Part B. There are some exceptions that could exclude, reduce, or eliminate this penalty.³ Individuals can enroll in Part B during three periods.⁴

1. **Initial Enrollment Period (IEP)** – Individuals can enroll when they turn 65, provided they meet residency and legal requirements, or are eligible for premium-free hospital insurance, known as Medicare Part A.⁵ The IEP, which lasts 7 months, starts 3 months before the month the individual turns age 65, includes the month they turn 65, and ends 3 months after they turn 65. This enrollment does not include late enrollment penalties.⁶

¹ SSA, *POMS*, HI 00208.001 (June 21, 1991) and HI 00208.005 (April 05, 2011). SSA, *Medicare*, 05-10043, p 1 (January 2025).

² SSA, *POMS*, HI 00805.110 (January 16, 2025).

³ *Social Security Act*, 42 U.S.C. §§ 1395r(b).

⁴ 42 C.F.R. 407.12(a).

⁵ *One Big Beautiful Bill Act*, Pub. L. No. 119-21, § 71201, 139 Stat. 319, pp. 249 and 250 (2025). Effective in 2027, this act limits who can be covered under Medicare.

⁶ SSA, *POMS*, HI 00805.015 (October 31, 2022).

2. **Special Enrollment Period (SEP)** – Individuals who did not enroll in Part B during their IEP can enroll in an SEP if they meet specific criteria, such as having Group Health Plan (GHP) coverage based on their own, or their spouse’s, current employment or meeting the requirements for a qualifying exceptional condition on or after January 1, 2023.⁷ Those who enroll during this period are not typically penalized. However, they may have to pay a penalty if they did not have other qualifying coverage for 1 year or longer and their special circumstance does not qualify them for penalty exclusion.⁸ The 1-year period does not need to consist of consecutive months.⁹
3. **General Enrollment Period (GEP)** – Individuals who did not enroll in Part B during their IEP or SEP can enroll during the annual enrollment period from January 1 through March 31.¹⁰ Individuals who enroll 1 year or longer after their IEP ends may be penalized unless they qualify for exceptions that may exclude or reduce the penalty. These exceptions include having coverage through a qualifying GHP, previous Part B coverage, or their Part B premiums are paid through a state Medicare Savings Program (MSP) in which the state pays the individuals’ premiums.¹¹

SSA employees must consider several factors, such as GHP coverage and U.S. residency requirements, and take specific actions when they process Part B enrollment applications during the GEP to ensure they input all relevant information for the systems to correctly assess late enrollment penalties.

SSA’s policy requires that notices be clear, brief, and easy to read to help beneficiaries understand the Agency’s programs and actions.¹² When possible, notices should include exact dollar amounts, so beneficiaries do not have to do the math themselves. Notices should also provide clear instructions to guide beneficiaries on next steps and the resources that are available.¹³

SSA sends automated notices to beneficiaries when they enroll in, or refuse, Part B. The enrollment notice confirms the beneficiary’s enrollment in Part B and includes such information as entitlement, the monthly premium if applicable, and the beneficiary’s right to request a reconsideration.¹⁴

⁷ 42 C.F.R. §§ 407.20 and 407.23. SSA, POMS, HI 00805.275 (October 10, 2024) and HI 00805.266, A (October 10, 2024).

⁸ 42 C.F.R. §§ 408.22 and 408.24(b)(2).

⁹ SSA, POMS, HI 01001.010 (February 2, 2023).

¹⁰ SSA, POMS, HI 00805.025 (July 3, 2024).

¹¹ *Social Security Act*, 42 U.S.C. § 1395r(b) and 42 C.F.R. §407.50(a).

¹² SSA, POMS, NL 00610.001 (August 12, 2009).

¹³ SSA, POMS, NL 00101.005, C.1 (August 7, 2025).

¹⁴ SSA, POMS, HI 00805.110, B (January 16, 2025).

SCOPE AND METHODOLOGY

Our population comprised 101,516 OASI beneficiaries who enrolled in Part B based on age during the 2023 and/or 2024 GEPs and whom SSA penalized for late enrollment. We reviewed a random sample of 200 OASI beneficiaries. See Appendix A for more information on our scope and methodology and Appendix B for more details regarding our sampling methodology and estimates.

RESULTS OF REVIEW

Of the 200 OASI beneficiaries in our sample, SSA employees accurately processed 177 beneficiaries' enrollment applications and assessed premium penalties for their late enrollment. However, SSA employees did not accurately process the applications for the remaining 23 beneficiaries because they did not consider all required factors. As a result, SSA's systems improperly assessed penalties that totaled approximately \$24,000: \$5,000 that was not assessed and \$19,000 that was assessed but should not have been.

Based on our sample results, we estimate SSA employees accurately processed the Part B applications for approximately 90,000 beneficiaries and did not accurately process 12,000. As a result, SSA's systems improperly assessed about \$12 million in Part B premium penalties—including \$2 million that was not assessed and \$10 million that was assessed but should not have been.

The notices SSA sent beneficiaries when they enrolled in Part B during the 2023 and/or 2024 GEPs did not clearly explain the penalties SSA imposed for their late enrollment. Although the notices included the total Part B premium amount, none of the 200 notices SSA sent our sampled beneficiaries included detailed penalty information.

Additionally, the *Notices of Award* SSA sent beneficiaries who refused to enroll in Part B did not always clearly explain the consequences of delaying or refusing enrollment. From our sample of 200, we identified 8 beneficiaries who initially refused Part B in 2023 and/or 2024 before they later enrolled in the GEP. None of the eight notices SSA sent these beneficiaries after their refusal included information about the potential penalty should they enroll later.

Medicare Part B Factors

SSA employees did not accurately process the Part B applications of 23 beneficiaries in our sample who enrolled during the GEP because the employees did not consider the beneficiaries' GHP coverage, the impact of U.S. residency and lawful presence start dates on IEP determinations, deemed enrollment, Exceptional Conditions SEPs, and equitable relief. As a result, SSA's systems incorrectly assessed approximately \$24,000 in Part B late enrollment penalties.

Group Health Plan Coverage

When a beneficiary indicates they have GHP coverage, employees must request evidence of the coverage if the beneficiary does not provide it with the enrollment application.¹⁵ Once a beneficiary provides evidence of coverage, employees must input the information into SSA's systems.

For 14 beneficiaries whose Part B applications indicated they had GHP coverage, (1) we did not find documentation in SSA's systems that beneficiaries provided or employees requested evidence of GHP coverage for 4 and (2) employees either made input errors or did not input GHP information into SSA's systems for 10 beneficiaries who provided evidence of their coverage. For the beneficiaries missing evidence of coverage, we could not determine whether SSA employees requested evidence for GHP coverage because there was no documentation in SSA's systems. SSA's systems did not prevent employees from processing coverage information without ensuring they review and input all relevant information. As a result, SSA's systems incorrectly assessed approximately \$15,000 in Part B late-enrollment penalties.

Example. A 74-year-old beneficiary applied for Part B during the 2024 GEP and provided evidence showing she had GHP coverage through her husband's employers from September 2014 to November 2023. Although she had some gaps in coverage, the total number of months without qualifying coverage was less than 1 year. The SSA employee did not manually input all the beneficiary's GHP coverage information into SSA's system, so the beneficiary was not credited for all covered months. As a result, SSA incorrectly assessed an 80-percent late-enrollment penalty. SSA sent the beneficiary a notice informing her that her monthly premium would be \$314.50 because of her late enrollment. The notice did not mention she was not credited for her GHP coverage. As of July 2025, she had paid about \$2,600 in Part B penalties for 11 months in 2024 and 7 months in 2025 that SSA should not have assessed.

Subject-matter experts in SSA's Office of Benefit Information Systems stated they had raised concerns "several years ago" about the wording of the GHP coverage question on one of SSA's processing systems. They indicated employees may not have input coverage information because of confusion about the term "current employment." For example, if a beneficiary stated their employment had ended, the SSA employee may have assumed they did not need to input the information because the beneficiary was not working.

In September 2025, SSA revised the coverage question in one of its systems to specifically ask for *GHP* coverage the beneficiary has had through their own, or their spouse's, employment on or after they turned 65. However, the upgrade did not apply to all systems where the question is asked.

¹⁵ SSA, *POMS*, HI 00805.295 (December 20, 2024).

Initial Enrollment Period Determination

When an SSA employee establishes Medicare eligibility, they must accurately input lawful presence and U.S. residency information.¹⁶ SSA's systems calculate the IEP based on when the beneficiary first met either the premium-free Medicare Part A or lawful presence and U.S. residency information employees input.¹⁷

SSA employees did not accurately input three beneficiaries' lawful presence and/or U.S. residency information for the systems to determine the correct IEP. As a result, SSA's systems did not assess approximately \$5,000 in late enrollment penalties to these three beneficiaries. Because the employees did not correctly input the date the beneficiaries met U.S. residency or the lawful-presence information, the systems incorrectly determined a later IEP than it should have.

These errors may have occurred because SSA's policy did not clearly instruct employees to verify the actual start date of U.S. residency when the individual was not an uninsured non-citizen when they filed. For instance, the policy did not clearly instruct employees to develop the application for lawful presence and the actual start date of U.S. residency for individuals who were naturalized U.S. citizens when they applied but were not age 65. It also did not clearly instruct employees to input the actual U.S. residency start date when the individual was eligible for premium-free Medicare Part A but was not eligible at age 65.

Example. In April 2022, a 72-year-old permanent resident first met the premium-free Medicare Part A eligibility requirement. He met the age, U.S. residence, and lawful presence requirements in February 2016. He applied for Part B during the 2022 GEP but was denied coverage because the SSA employee only processed his application based on the premium free Medicare Part A eligibility requirement. Had the employee processed his application based on U.S. residency and lawful presence, the beneficiary would have qualified for Medicare Part B starting in 2022. In January 2024, he reapplied, and an SSA employee processed his application without inputting his actual U.S. residence start date. Because of this mistake, the system incorrectly determined his IEP started was 2022, based on his premium-free Medicare Part A eligibility, and only assessed a 10-percent penalty. Had his U.S. residence address start date been entered correctly, and his earlier application been processed correctly, the penalty would have been 50 percent. Because of this, from February 2024 to July 2025, SSA assessed about \$1,300 less in penalties than it should have.

¹⁶ *One Big Beautiful Bill Act*, Pub. L. No. 119-21, § 71201, 139 Stat. 319, pp. 249 and 250 (2025). Effective in 2027, this act limits who can be covered under Medicare.

¹⁷ *Social Security Act*, 42 U.S.C. § 1395o(a). SSA, *POMS*, HI 00805.020 (November 9, 2022) and HI 00805.005, B (October 31, 2022).

Deemed Enrollment

Employees are required to explain to beneficiaries the advantages and disadvantages of Part B deemed enrollment—automatic enrollment when enrolling in certain related programs such as Part A—so they can make an informed decision.¹⁸ Employees are also required to document adverse decisions in the beneficiaries' applications.¹⁹

We did not find evidence that SSA employees informed two beneficiaries that their initial refusal to enroll in Part B and later enrollment during the same GEP would result in a penalty. Employees should have informed—and documented on their applications—that, since the beneficiaries were nearing 1 year without Part B or qualifying GHP coverage, an additional 1 or 2 months without coverage would put them past the allowable period without coverage and result in a 10-percent late enrollment penalty.

We could not determine whether SSA employees explained to the beneficiaries the disadvantages (penalty) of refusing deemed enrollment because there was no, or inadequate, documentation in SSA's records. Without documentation, we cannot know whether these beneficiaries understood their decision to refuse Part B deemed enrollment would result in a penalty and still chose to refuse and later enroll. We do not assert, and the reader should not infer, that, because beneficiaries were assessed a penalty due to enrolling in Part B after their deemed enrollment refusal, Agency employees did not properly inform them, and they must have unknowingly made disadvantageous decisions. Because these beneficiaries refused deemed enrollment, as of July 2025, they had paid over \$600 in late enrollment penalties.

Example. A 66-year-old woman who applied for Social Security benefits in March 2023 refused Medicare Part B deemed enrollment. At that time, the SSA employee who took her application should have discussed the advantages and disadvantages of her decision to refuse deemed enrollment to allow her to make an informed decision. However, there was no documentation in her file that showed the SSA employee informed her about the consequences of her refusal. By refusing deemed enrollment, the beneficiary saved about \$300 in Medicare premiums for February and March 2023; however, she was later assessed a 10-percent penalty when she enrolled. The penalty was a result of her being over 12 months past her IEP without qualifying coverage. We did not find evidence in SSA's systems that the employee explained the penalty to her when she refused deemed enrollment. As of July 2025, the beneficiary had paid approximately \$500 in penalties—\$200 more than the amount she saved by refusing deemed enrollment.

¹⁸ SSA, *POMS*, HI 00805.055 (June 3, 2024) and HI 00820.065, A (October 26, 2022).

¹⁹ SSA, *POMS*, GN 00201.005, C.4 (September 9, 2025).

Exceptional Conditions Special Enrollment Period

SSA employees must verify beneficiaries meet the Exceptional Conditions qualifications, such as being incarcerated, and process their Part B enrollments under the correct SEP instead of the GEP to help the beneficiaries avoid penalties.²⁰ SSA employees did not accurately process two beneficiaries' applications as Exceptional Conditions SEP even though the employees confirmed they met the requirements for such enrollment. SSA employees verified the two beneficiaries' qualifying circumstances but processed the applications as GEP enrollments, instead of Exceptional Conditions SEP.

We reviewed the documentation in SSA's systems and could not determine why SSA employees did not accurately process the two beneficiaries' applications as Exceptional Conditions SEPs. Because the applications were processed as GEP enrollments, the Agency counted the beneficiaries' previous months of non-coverage toward penalties. As of July 2025, SSA had assessed these beneficiaries approximately \$3,200 more in late enrollment penalties than it should have.

Example. A beneficiary was in prison from July 2021 to January 2023. In January 2023, he submitted his Part B application along with evidence he had been released from prison. The SSA employee verified his period of incarceration to restart his monthly Social Security payments. However, the employee did not process the Part B application as an Exceptional Conditions SEP for a formerly incarcerated individual. Because of this error, SSA assessed the beneficiary a 10-percent Part B late enrollment penalty, which SSA would not have assessed had the employee enrolled the beneficiary under the SEP. As a result, from April 2023 to July 2025, SSA had improperly assessed approximately \$500 in late enrollment penalties.

Equitable Relief

When SSA employees process the Part B enrollment application and find clear evidence of a previous error made by an SSA employee—such as providing incorrect information to a beneficiary, taking wrongful actions, or failing to take necessary actions—that could lead to a higher penalty for the beneficiary, they must grant equitable relief to ensure the correct penalty amount is assessed.²¹ The beneficiary may, but does not need to, request equitable relief for it to be granted.²²

²⁰ 42 C.F.R. §408.24(b)(2), 42 C.F.R. § 407.23 and SSA, *POMS*, HI 00805.277, B.1.b (October 10, 2024).

²¹ SSA, *POMS*, HI 00805.170 (December 05, 2022).

²² SSA, *POMS*, HI 00805.170, A.3 (December 05, 2022).

SSA employees did not grant equitable relief to two beneficiaries even though evidence in SSA's systems showed the employees made mistakes while they processed the beneficiaries' prior Part B applications. We could not determine whether SSA employees considered granting equitable relief due to the lack of documentation explaining their decisions. As of July 2025, SSA assessed approximately \$500 in late enrollment penalties that it should not have.

Example. A beneficiary applied for Medicare Part B several times between 2022 and 2024. However, SSA employees made mistakes when they processed his applications. For example, an employee incorrectly withdrew his initial application even though he stated he wanted to keep his Part B coverage. Because of these mistakes, the beneficiary did not have Part B coverage for 1 year. In January 2024, the beneficiary applied again and, when an employee processed his application, the employee did not grant him equitable relief. We could not determine whether the employee considered equitable relief because there was no, or inadequate, documentation in SSA's records. Thus, the system calculated his penalty to be 10-percent, without granting relief due to the previous employee's mistakes. Because SSA did not grant him equitable relief, as of July 2025, the Agency assessed approximately \$300 in penalties that he should not have had to pay.

Medicare Part B Notices

SSA's Medicare enrollment notices did not clearly explain the Part B late-enrollment penalty. Although the enrollment notices generally included the total Part B premium amount, none of the 200 notices SSA sent the beneficiaries in our sample included detailed information on the percentage or dollar amount of the penalty assessed; the months counted toward the penalty; the months credited for other qualifying coverage; or specific actions the beneficiary needed to take to reduce or eliminate the penalty (see Figure 1). For example, the notices did not explain that a beneficiary could request a penalty reduction at any time by providing evidence of qualifying GHP coverage.²³ The lack of information in enrollment notices may have prevented the 200 beneficiaries from fully understanding whether the correct penalty amount was assessed and, if it was not, from requesting reconsideration or a penalty reduction.

²³ SSA, *POMS*, HI 00805.280, B (October 10, 2024).

Figure 1: Example Part B Enrollment Notice Language

Information About Medicare

Your monthly premium for Medicare Part B (medical insurance) is \$314.50 beginning February 2024.

IMPORTANT: A Medicare law requires some higher income persons to pay higher premiums. The law applies to premiums for Medicare Part B (Medical Insurance), prescription drug coverage, and Medicare Part B Immunosuppressive Drug coverage. The law generally affects individuals with incomes higher than \$103,000 and couples with incomes higher than \$206,000. We will contact the Internal Revenue Service to get information about your income. If we decide that you have to pay higher premiums, we will send a letter explaining our decision. The higher amount will be effective February 2024. For more information, please visit www.ssa.gov on the Internet or call us toll-free at 1-800-772-1213 (TTY 1-800-325-0778).

We deduct Medicare medical insurance (Part B) premiums 1 month in advance.

We will start to take premiums out of your March 13, 2024 check.

We are deducting past-due premiums of \$314.50 from your check.

When we figured the amount of your payment, we took into account all medical insurance premiums which were already paid or still due through February 2024.

This medical insurance premium includes a premium surcharge because you enrolled later than you could have.

We will send you a new health insurance card. It will show that you are entitled to hospital and medical insurance.

You will get a Medicare card within 2 weeks. You should show this card when you need medical care. To learn more about what Medicare covers, visit Medicare.gov. If you have questions about your Medicare coverage, call 1-800-MEDICARE (1-800-633-4227).

In addition, SSA's *Notices of Award* for beneficiaries who refused to enroll in Part B do not clearly explain the consequences of delaying or refusing enrollment. From our sample of 200 beneficiaries, we identified 8 who initially refused Part B in 2023 or 2024 before they later enrolled in either the 2023 or 2024 GEPs. None of the eight notices SSA sent to these beneficiaries after they initially refused Part B included information that explained the potential penalty if they chose to enroll later.

SSA's system can automatically generate language in its *Notice of Award* that explains the consequences of their refusal if specific criteria are met. This language informs the beneficiary that enrolling later may result in a 10-percent penalty for each year they do not have Part B coverage unless they sign up during an SEP.²⁴ However, these eight beneficiaries did not meet the criteria of being under age 65 and 3 months when they refused Part B. As a result, they did not receive written language that explained the potential penalty that could result from their decision and that the penalty would remain throughout their coverage. Though SSA policy does not require that, included in notices, there should be language that explains the potential for a penalty if the individual later decides to enroll. If beneficiaries do not fully understand the consequences of their refusal, they could incur more unnecessary penalties.

SSA subject-matter experts informed us the notices did not include such details because its employees covered this information during the in-person/telephone application process. Beneficiaries who apply online can obtain additional information regarding Part B when they apply if they click the link, *More Info*, which discusses the section *Do You Want Medicare Part B?* and explains the following.

- Most individuals who do not sign up during their IEP can only sign up during the GEP.
- Individuals may have to pay a late enrollment penalty, which goes up by 10 percent for every full year they were eligible but did not sign up for Part B.
- If an individual is still working, they may be able to sign up for Part B without a penalty during an SEP.

While subject-matter experts informed us the Agency had published several public resources regarding penalties and SEPs to address congressional and advocate inquiries (see Appendix C), SSA could further improve its communication with beneficiaries to help them make informed Part B enrollment decisions and understand penalties. SSA could improve its notices by including additional information that explains to all beneficiaries the potential premium penalties the Agency may assess if they refuse Part B and later enroll. For beneficiaries who are assessed a Part B penalty, SSA could improve the notices by including the penalty percentage assessed, the dollar amount of the penalty, the number of months counted toward the penalty, whether the beneficiary received credit for any months during which they had qualifying health coverage, and the monthly breakdown.

²⁴ SSA, POMS, NL 00725.265, *HIB062 Not Enrolling in SMI* (February 11, 2025) and NL 00725.005 (November 30, 2021).

Extra Help Applications and Part B Penalty Relief

The Extra Help Program—also known as Low-Income Subsidy (LIS)—helps Medicare beneficiaries who have limited income and resources pay for prescription drug coverage.²⁵ Effective January 1, 2010, applications for LIS start the process for state-run MSP benefits unless the beneficiary objects.²⁶ The MSPs help beneficiaries pay for such Medicare expenses as premiums, deductibles, and co-insurance.²⁷ All 50 states and the District of Columbia have elected to enter into “buy-in” agreements with the Centers of Medicare and Medicaid Services to pay for premiums for individuals enrolled in MSPs.²⁸ Through the buy-in agreement, states do not pay a late-enrollment penalty that would otherwise have applied to a beneficiary’s monthly premium amount.²⁹ The penalty relief is extended to the beneficiary. If they lose their MSP enrollment, they will be treated as if they had signed up during an IEP, so they will not have a penalty.³⁰

Of the 200 beneficiaries we sampled, employees did not screen 29 for the LIS when they applied, by telephone or in-person, for Social Security and Medicare benefits.³¹ Our review of SSA’s systems, we found no evidence of an LIS close-out notice, as policy requires.³² Therefore, we could not determine whether SSA employees discussed filing an LIS application with these beneficiaries. We believe this occurred because SSA did not have automated systems to send, and/or prompts to remind employees to issue, LIS close-out letters when they processed these applications. These beneficiaries may have missed an opportunity to apply for their states’ MSP, if available, and potentially eliminate Part B premium penalties.

We referred these cases to SSA subject-matter experts who informed us SSA was considering automatically generating LIS close-out letters or prompting employees to do so for beneficiaries who apply by telephone or in-person and do not have an LIS appointment. SSA was also modernizing its software systems and had rolled out a new program nationally on September 20, 2025 for a limited range of applications. The new program is designed to remind employees to screen for LIS. However, the program does not remind employees to explain that an LIS application will start an MSP application that, if approved, could help them eliminate any Part B late enrollment penalty.

²⁵ SSA, *POMS*, HI 03001.005, A (December 9, 2025).

²⁶ SSA, *POMS*, HI 00815.024, A (May 08, 2024).

²⁷ SSA, *POMS*, HI 00815.024, B (May 08, 2024).

²⁸ SSA, *POMS*, HI 00815.001, C (January 12, 2024).

²⁹ SSA, *POMS*, HI 00815.001, B (January 12, 2024).

³⁰ 42 C.F.R. §407.50(a).

³¹ SSA, *POMS*, HI 03001.005 (December 9, 2025).

³² SSA, *POMS*, HI 03010.020, A.2.b (November 3, 2023).

CONCLUSION

SSA employees must accurately process Part B applications to ensure SSA systems assess and accurately apply late enrollment penalties. SSA notices should include more details about the late enrollment penalty to make the information easier for beneficiaries to understand. This will help ensure beneficiaries receive correct penalty determinations and avoid unnecessary financial hardship thereby safeguarding their health and well-being.

RECOMMENDATIONS

We recommend SSA:

1. Take corrective actions for the 23 beneficiaries' accounts to ensure Part B premium penalties are accurately assessed in accordance with policy.
2. Update the question on the health-insurance screen related to recording information for Part B enrollment to clarify what is considered current employment in all SSA systems.
3. To prevent future errors, establish controls to ensure employees accurately process Part B enrollment applications during the GEP.

AGENCY COMMENTS

SSA agreed to implement our recommendations; see Appendix D. SSA also provided technical comments in response to our draft report, which we incorporated into this final report as appropriate.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act*, Code of Federal Regulations, and Social Security Administration’s (SSA) *Program Operations Manual System*.
- Reviewed prior Office of the Inspector General reports on Medicare—known as Part B.
- Interviewed, and obtained information from, SSA subject-matter experts to confirm our understanding of policy and controls related to Part B premium penalties.
- Obtained from the Master Beneficiary Record
 - about 291,000 records of beneficiaries with a Part B premium penalty and enrollment date of January 2023 or later and
 - about 62,000 records of beneficiaries with a third party paying the Part B penalty amount and an enrollment date of January 2023 or later.
- Using the data above, we identified 101,516 Old-Age and Survivors Insurance (OASI) beneficiaries who enrolled in Part B, based on age, during the 2023 and/or 2024 General Enrollment Periods and were assessed a late enrollment penalty.
- From the 101,516 OASI beneficiaries, we reviewed a random sample of 200.
- To analyze the 200 sample cases, we obtained information from the following.
 - Evidence Portal for enrollment applications, forms, evidence, and other documentation relating to Part B enrollment and penalties.
 - Master Beneficiary Record for Part B enrollment, penalty details, and development documentation.
 - Modernized Claims System for application details, and development documentation.
 - Online Retrieval System for notices, applications summaries, and other Part-B-related communications sent to beneficiaries.
 - Prisoner Update Processing Systems for verification of incarceration.
 - Shared Processes for evidence and Part B application processing inputs.
 - Supplemental Security Income Consolidated Claims Experience for more extensive U.S. residence address history.
 - WorkTrack for development documentation and dates documents received.
- Calculated penalty-error amounts by comparing the penalty percentage determined by SSA’s system to the percentage SSA should have assessed if the correct Initial Enrollment Period date had been used. We did not include all possible penalty reductions in this calculation.

We conducted our review from October 2024 through February 2026. We assessed the reliability of the Master Beneficiary Record data by tracing a random sample of data to the system that produced it and evaluated the completeness by comparing our data figures to publicly available data from Medicare, SSA, and Census to ensure our data were reasonable. We determined the data used in this report were sufficiently reliable given our audit objectives and intended use of the data. The principal entity audited was the Office of Operations.

We assessed the significance of internal controls necessary to satisfy the audit objective. This included an assessment of the five internal control components: control environment, risk assessment, control activities, information and communication, and monitoring. In addition, we reviewed the principles of internal controls as associated with the audit objective. We did not conduct an independent review of overall system of internal control. We identified the following components and principles as significant to the audit objective.

- Component 1: Control Environment
 - Principle 4: Demonstrate commitment to competence
- Component 2: Risk Assessment
 - Principle 9: Identify, analyze, and respond to change
- Component 3: Control Activities
 - Principle 12: Implement control activities
- Component 4: Information and Communication
 - Principle 15: Communicate externally
- Component 5: Monitoring
 - Principle 17: Evaluate issues and remediate deficiencies

We conducted this performance audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – SAMPLING METHODOLOGY AND ESTIMATES

We obtained our population as detailed in **Error! Reference source not found.** We used a simple random sample statistical approach to review our population. This is a standard statistical approach used for creating a sample from a sampling frame completely at random. Each sample item had an equal chance of selection, and the selection of one item had no impact on the selection of other items. This guaranteed that we chose a sample that represented the sampling frame, absent human biases, and ensured statistically valid conclusions of, and projections to, the entire sampling frame under review. Our sampling approach for this review ensures the reported projections are statistically sound and defensible.

Table B-1: Population and Sample Size

Description	Number of Beneficiaries with a Part B Penalty Enrolled During the 2023 and 2024 General Enrollment Periods
Population	101,516
Sample Size	200

Sample Results and Projections

Of the 200 Old-Age and Survivors Insurance beneficiaries sampled, Social Security Administration employees did not accurately process the Part B applications for 23 which resulted in SSA's systems improperly assessing penalties totaling approximately \$24,000—\$5,000 under-assessed and \$19,000 over-assessed. Based on our results, we estimate SSA employees did not accurately process approximately 12,000 beneficiaries' applications, resulting in SSA's systems improperly assessing a total of about \$12 million in penalties—\$2 million under-assessed and \$10 million over-assessed. See Table B-2.

Table B-2: Improper Penalties Error Projections

Description	Number of Errors	Error Amounts
Sample Results	23	\$23,582
Projected Quantity/Point Estimate	11,674	\$11,969,853
Projected – Lower Limit	8,113	\$6,874,938
Projected – Upper Limit	16,134	\$17,064,768
Projection	11,674	\$11,969,853

Note: All projections are at the 90-percent confidence level.

Appendix C – MEDICARE PART B RESOURCES

The Social Security Administration published additional resource materials—available at www.ssa.gov—to provide the public with more information regarding Medicare Part B penalties and Special Enrollment Periods.

Factsheets

- [Get Your Social Security Statement | my Social Security | SSA](#)
- [Retirement Ready \(Fact Sheet For Workers Ages 61-69\)](#)
- [Medicare Ready](#)

Frequently Asked Questions

- [Topics | Frequently Asked Questions | SSA](#)
- [What are Medicare late enrollment penalties?](#)

Publications

- [Medicare](#)
- [Your Retirement Checklist](#)
- [How to Apply for Medicare Part B \(Medical Insurance\) During Your Special Enrollment Period](#)

Appendix D – AGENCY COMMENTS



SOCIAL SECURITY Office of the Commissioner

MEMORANDUM

Date: March 27, 2026

Refer To: TQA-1

To: Michelle L. Anderson
Assistant Inspector General for Audit

A handwritten signature in black ink, appearing to read 'Chad Poist', written over a horizontal line.

From: Chad Poist
Chief Risk Officer

Subject: Office of the Inspector General Draft Report, "Medicare Part B Premium Penalties" (072402)
-- INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendations. We will improve our Medicare enrollment process to include alerts for our technicians to check for group health care and special enrollment criteria before processing Part B enrollments.

Please let me know if I can be of further assistance. You may direct staff inquiries to Amy Gao, Director of the Audit Liaison Staff, at (410) 966-1711.



Mission:

The Social Security Office of the Inspector General (OIG) serves the public through independent oversight of SSA's programs and operations.

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Social Security-related scams and Social Security fraud, waste, abuse, and mismanagement, at oig.ssa.gov/report.

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