It’s becoming a common scenario: You’re creeping closer to your 65th birthday, which means you’ll be eligible for Medicare, yet you already have health insurance through work.

Sound familiar? If so, you might have options.

While workers at businesses with fewer than 20 employees generally must sign up for Medicare at age 65, people working for larger companies typically have a choice: They can stick with their group plan and delay signing up for Medicare without facing penalties down the road, or drop the company option and go with Medicare.

“The advice I give is to calculate the financial impact for each option,” said Elizabeth Gavino, founder of Lewin & Gavino in New York and an independent broker and general agent for Medicare plans. “Figure out your cost based on your usage and your medication, and do a comparison on what your outlay may be.”

The share of people age 65 to 74 in the workforce has been steadily rising for years. It’s projected to reach 30.2% in 2026, up from 26.8% in 2016 and 17.5% in 1996, according to the Bureau of Labor Statistics.

And among those age 75 and older, the trend has been the same: The share projected to be working in 2026 is 10.8%, up from 8.4% in 2016 and 4.6% in 1996.

Here are the Medicare rules that apply to would-be beneficiaries who are still working, along with costs to consider.

The basics

Original, or basic, Medicare consists of Part A (hospital coverage) and Part B (outpatient and medicare equipment coverage).

You get a seven-month window to sign up that starts three months before your 65th birthday month and ends three months after it. If you don't sign up when eligible and you don't meet an exception, you face late-enrollment penalties.

Having qualifying insurance — i.e., a group plan through a large employer — is one of those exceptions.

Many people sign up for Part A even if they stay on their employer's plan. That's because it's free as long as you have at least a 10-year work history of contributing to the program through payroll taxes.

However, if you happen to have a health saving account paired with a high-deductible health plan through your employer, be aware that you cannot make contributions once you enroll in Medicare, even if only Part A.

Part B comes with a standard monthly premium of $144.60 for 2020, although higher-income tax filers pay more through monthly adjustments (see chart above). Standalone Part D prescription drug plans have monthly premiums averaging $30. And again, higher-income enrollees pay more (see chart below).

Additionally, those adjustments are based on your income from two years earlier. In other words, your 2018 income is used for your 2020 premiums. (There's a form you can fill out to request a reduction in that income-related amount due to a life-changing event, such as retirement.)

Roughly a third of Medicare enrollees choose to get their Parts A and B delivered through an Advantage Plan. Those options typically include Part D prescription drug coverage, along with extras like dental and vision. However, they also might charge a premium, which would be in addition to your Part B premium.

Other enrollees stick with basic Medicare and pair it with a standalone Part D plan. Some also add a Medicare supplemental policy — a.k.a., Medigap — which covers Medicare costs such as copays and co-insurance that you'd otherwise pay out of pocket. However, you cannot have both an Advantage plan and Medigap.

A 65-year-old male will pay anywhere from $126 to $464 monthly for a Medigap policy, according to the American Association for Medicare Supplement Insurance. For 65-year-old women, the range is $118 to $464.

So when you're doing the math to compare your options, you'd have to see what your best Medicare option would be and the cost of that coverage — using some assumptions about your use of the health-care system and the cost of your prescription drugs.

If you work at a large company

The general rule for workers at companies with at least 20 employees is that you can delay signing up for Medicare until you lose your group insurance (i.e., you retire). At that point, you'd be subject to various deadlines to sign up or else face late-enrollment penalties.

While everyone's situation is different, there's a good chance your current insurance through work is a more cost-effective option, said Danielle Roberts, co-founder of insurance firm Boomer Benefits in Fort Worth, Texas.

This may be due to lower premiums and other cost-sharing aspects such as copays or co-insurance, or lower costs for prescriptions under the group plan.

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Again, however, if Part A is free, you can sign up as long as it wouldn’t interfere with your plans to contribute to a health savings account.

There are, of course, instances where Medicare might be the better option.

“If you’re going to, say, therapy every week and it’s a $40 co-pay, it might be cheaper to go on Medicare and get a supplement with it,” Gavino said.

On the other hand, if you take a specialty drug that is covered by your group plan, it might be wise to continue with it if that drug would be more expensive under Medicare.

Some 65-year-olds with younger spouses also might want to keep their group plan. Unlike your company’s option, your spouse must qualify on their own for Medicare — either by reaching age 65 or having a disability if younger than that— regardless of your own eligibility.

At small employers

For older workers with health insurance through a small company (under 20 employees), you must sign up for Medicare regardless of whether you stay on that plan or not. If you do choose to remain on your employer’s plan, Medicare is your primary insurance.

However, Roberts said, it often is more cost-effective in this situation to drop the employer coverage and pick up a Medigap and Part D plan — or, alternatively, an Advantage Plan — instead of keeping the work plan as secondary insurance.

How to keep future health care costs down in retirement

Often, workers at small companies pay more in premiums than employees at larger firms.

The average premium for single coverage through employer-sponsored health insurance is $7,188, according to Kaiser Family Foundation. However, employees contribute an average of $1,242 — or about 17.3% — with their company covering the remainder.

At small firms, the employee's share might be far higher. For example, 35% are in a plan that requires them to contribute more than half of the premium for family coverage, compared with 6% of covered workers at large firms.