

## HSA & Medicare

### Frequently asked questions

As you approach age 65, it is important to understand how your eligibility for Medicare may impact your Health Savings Account (HSA). Due to IRS rules, once you enroll in Medicare you are no longer allowed to contribute to an HSA. This document was created to help you determine when you should stop contributing to your HSA and how you could manage and use the account going forward.

### Am I eligible for a Health Savings Account (HSA)?

To be eligible for an HSA, you must be enrolled in an HSA-qualified (high deductible) health plan, you cannot be covered by another health plan (including Medicare or Tricare) and you cannot be claimed as a dependent on another person's tax return.

### What do I need to know about my HSA as I near Medicare eligibility?

There are two key points you must consider to avoid any pitfalls with your HSA at age 65.

- 1 While you can continue to spend from your HSA, you cannot set up or contribute to an HSA in any month that you are enrolled in Medicare.
- 2 You should stop contributing to your HSA six months before you apply for Social Security retirement benefits to avoid potential tax penalties.\*

\* If you are transitioning to Medicare at age 65, you can continue to contribute to your HSA up to your Medicare effective date with no tax penalty. However, if you choose to defer your Medicare and join at a later date, you will need to stop HSA contributions 6 months prior to your Medicare effective date.

### Can I enroll in an HSA if I am enrolled in Medicare?

No. Once you enroll in Medicare Part A and/or B, you can no longer contribute to an HSA. Contributing to an HSA is dependent upon the covered individual being enrolled in a high deductible health plan as their only source of health insurance coverage.

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### Can I spend from my HSA if I'm enrolled in Medicare?

Yes. Even if you are enrolled in Medicare, you may keep an HSA if it was in existence prior to Medicare enrollment. You can spend from your HSA to help pay for Medical expenses, such as deductibles, Part B and Part D premiums, copayments, and coinsurances. If you use the account for qualified medical expenses, it will continue to be tax-free. Qualified medical expenses are defined by the IRS and include Medicare premiums and copays, providing a valuable way for Medicare beneficiaries to make use of HSA funds.

### What do I need to know about my HSA and being enrolled in Medicare Part A?

- If you're entitled to Medicare because you signed up for Part A at age 65 or later (perhaps not realizing that it can affect the use of your HSA) but have not yet applied for Social Security retirement benefits, you can withdraw your application for Part A. To do so, contact the Social Security Administration. There are no penalties or repercussions and you are free to reapply for Part A at a future date.
- If you have applied for or are receiving Social Security benefits, which automatically entitles you to Part A, you cannot continue to contribute to your HSA. The only way you could opt out of Part A is to pay back to the government all the money you've received in Social Security payments, plus everything Medicare has spent on your medical claims. You must repay these amounts before your application to drop out of Part A can be processed. If you take this action, you're no longer entitled to Social Security or Medicare, but you can reapply for both at any time in the future (for example, if you end or lose your HSA coverage).

### I will be eligible for Medicare this year but do not plan to enroll until I retire. I will remain on my employer's insurance plan until that time. Can I keep contributing to my HSA?

Yes. If you are eligible for Medicare but do not enroll in part A or B, you can continue to contribute to your HSA. Once you enroll in any part of Medicare, you will no longer be eligible to contribute to your HSA.