

MEDICARE &

HSA



If you are or will be Medicare eligible and are considering enrolling in a high deductible health plan and establishing a health savings account (HSA), the following questions and answers describe how your Medicare enrollment status may affect your ability to contribute to an HSA.

1 GENERALLY, WHO CAN CONTRIBUTE TO AN HSA?



Individuals who are covered under a high deductible health plan (HDHP) may be eligible to contribute to a health savings account (HSA). However, as noted below, individuals who are enrolled in any part of Medicare and who are covered under an HDHP are not eligible to contribute to an HSA or have their employer contribute to their HSA.

2 HOW DOES MY ENROLLMENT IN MEDICARE AFFECT MY HSA CONTRIBUTIONS?

If you enroll in Medicare, neither you nor your employer can contribute to your HSA. Your enrollment in Medicare also reduces the annual contribution amount you can make in the year in which you enroll in Medicare.

For example, you turn age 65 in August 2022 and enroll in Medicare. Prior to your Medicare enrollment you had self-only HDHP coverage and you were also eligible for the additional \$1,000 catch-up amount. A \$3,650 general maximum plus a \$1,000 catch-up contribution equals a total annual contribution of \$4,650. But in this example, there are only seven months preceding the time of your Medicare enrollment, so your total annual contribution is 7/12's of the annual amount, which is \$2,712.50 ($\$4,650/12 = \387.50 ; then $\$387.50 \times 7 = \$2,712.50$).

3 I AM OVER AGE 65 AND ENROLLING IN MEDICARE FOR THE FIRST TIME. HOW DOES THIS IMPACT MY HSA CONTRIBUTIONS?

When enrolling in Medicare after you are already age 65, your Medicare coverage will be effective retro-actively six (6) months from when you sign up, or back to the first day of the month in which you reached age 65, whichever is less. For example, if you turned 65 in November 2021, and sign up for Medicare on February 1, 2023, your Medicare coverage will be effective August 1, 2022.

In this example, this means that you were eligible to contribute to your HSA for only 7 months in 2022 (January through July), so your contribution limit for 2022 must be prorated as in the example above. For 2023 and as long as you are enrolled in Medicare, you will not be eligible to make any contributions to your HSA.

4 WHAT IF I AM NOT ENROLLED IN MEDICARE BUT MY SPOUSE IS?

If your spouse is enrolled in Medicare but you are not, you and your employer may still contribute to an HSA.

5 HOW MUCH CAN I CONTRIBUTE IF I AM NOT ENROLLED IN MEDICARE AND HAVE FAMILY HDHP COVERAGE FOR MY SPOUSE WHO IS ALSO ENROLLED IN MEDICARE?

If you are *not enrolled* in Medicare and have HDHP family coverage, you and your employer may contribute up to the allowable family contribution amount into the HSA even if your spouse is enrolled in Medicare.

6 IF MY EMPLOYER CONTRIBUTES TO THE EMPLOYEE HSA AND I AM ENROLLED IN MEDICARE CAN MY SPOUSE CONTRIBUTE TO AN HSA?

If you are enrolled in Medicare and have HDHP family coverage but your spouse is not enrolled in Medicare, your spouse can contribute the family contribution amount into an HSA that is in your spouse's name. This assumes that your spouse meets the other eligibility criteria to contribute to an HSA. However, any employer contribution amount made to your spouse's HSA would be added to your gross income and subject to taxation.

7 WHAT DO I NEED TO DO IF I AM BECOMING ELIGIBLE FOR SOCIAL SECURITY CASH BENEFITS AND WANT TO CONTRIBUTE TO AN HSA?

If you want to contribute to an HSA while still actively at work, you will need to delay your Social Security cash benefit. This is because you are automatically enrolled in Medicare Part A when you begin receiving your Social Security benefit and there is no option to waive the Medicare Part A benefit. Once you are covered under Medicare Part A, you are no longer eligible to contribute to an HSA. You may also want to ask your financial advisor if delaying your Social Security benefit and contributing to an HSA is in your best interest.

8 I AM ALREADY RECEIVING MY SOCIAL SECURITY CASH BENEFIT AND I AM MEDICARE ELIGIBLE, WHAT CAN I DO TO NOW BECOME ELIGIBLE TO CONTRIBUTE TO AN HSA?

Your only option is to stop any future Social Security cash benefit. However, to do so you will be required to pay back all of your Social Security payments previously received.

9 I ALREADY HAVE AN HSA AND I NOW WANT TO START RECEIVING MY SOCIAL SECURITY CASH BENEFIT. WHAT HAPPENS TO THE MONEY IN MY HSA?

Because Medicare Part A is included in Social Security, you can no longer contribute to your HSA. However, your enrollment in Medicare only affects your ability to contribute to an HSA, not your ability to retain and use money in your HSA.



10 WHAT IS CONSIDERED A QUALIFIED EXPENSE?

The following are examples of expenses that can be reimbursed by the money in your HSA. These expenses are still eligible even if you are covered under Medicare, provided they have not otherwise been paid by insurance.

- Qualified medical expenses which are expenses that would also be eligible for a medical or dental tax deduction
- Prescription drugs and over-the-counter medications
- Insulin
- Vision expenses, including eyeglasses or contact lenses
- Insurance premiums for long-term care insurance, COBRA premiums, health coverage while receiving unemployment compensation, and, if age 65 or older, Medicare and other health coverage (this does not include premiums for a Medicare supplemental policy, such as Medigap)

11 WHO CAN INCUR EXPENSES?



The above expenses can be incurred by any of the following individuals as long as the expense is not also reimbursed under any other type of health plan.

- You
- Your spouse
- All dependents you claim on your tax return
- Any person you could have claimed as a dependent on your tax return except that:
 - » The person filed a joint return,
 - » The person had gross income of \$4,300 or more; or
 - » You, or your spouse if filing jointly, could be claimed as a dependent on someone else's tax return