

MEDICARE ELIGIBILITY and YOUR HSA



As you approach Medicare eligibility at age 65, please be aware of some important rules regarding Medicare and your health savings account (HSA). Turning 65 often means automatic eligibility and sometimes automatic enrollment in Medicare. There is a difference between Medicare eligibility and Medicare enrollment, as explained below. Medicare enrollment may disrupt your eligibility to contribute to your HSA.

Medicare eligibility

Being Medicare eligible means you have met the requirements to qualify for Medicare Part A (hospital insurance), but may not have applied yet. You can be Medicare eligible and still contribute to your HSA beyond age 65, as long as you have postponed applying for Social Security payments and Medicare benefits. Information about Medicare eligibility, enrollment and late enrollment penalties can be found in the Medicare & You handbook available at Medicare.gov.

Medicare enrollment

Once you are enrolled in any part of Medicare, you will not be eligible to contribute to an HSA in the months following your Medicare effective date. A pro-rated contribution must be determined for the year in which Medicare becomes effective (see reverse side for more details).

If you are receiving Social Security payments prior to age 65, you will automatically be enrolled in Medicare when you turn 65 and will not be able to contribute to an HSA. You can always spend from your HSA for qualified medical expenses and, at age 65, you can also take penalty-free¹ distributions from your HSA for reasons other than medical expenses. You'll just need to pay income taxes, much like a 401(k).

Contributing to an HSA past age 65

If you want to continue to contribute to your HSA, you must not enroll in Medicare. There is a distinction between being eligible for Medicare, and being enrolled. You become enrolled by filing an application or being approved automatically. Receiving Social Security benefits also automatically enrolls you in Part A. If you are not enrolled in Medicare and are otherwise eligible to contribute to an HSA (by being enrolled in a qualifying health plan), you can continue to contribute to your HSA after age 65.



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¹ The distributions will still be subject to income taxes.

FAQs

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Can I stop Medicare enrollment and reclaim HSA eligibility?

Yes. If you were enrolled in Medicare Part A –either automatically or otherwise—but would rather decline it to stay HSA eligible, you should contact the Social Security Administration. As long as you have not already received Social Security checks, you may reestablish your eligibility for contributing to a health savings account. If you received Social Security benefits, you can only opt out of Medicare Part A if you pay the government back all the money you received from Social Security payments. You may have used your Medicare benefit which you would also have to pay back in order to reestablish HSA eligibility.¹

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Can I use HSA funds to pay for Medicare premiums?

You can use your HSA funds to pay for Medicare parts A, B, C (Medicare Advantage plans), and D premiums. Medigap or other Medicare Supplemental policies premiums are not an eligible expense.

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How much can I contribute to my HSA for the year that I enroll in Medicare?

Once you are enrolled in Medicare, you must pro-rate any HSA contributions for the year the Medicare coverage begins. Unless you postpone enrollment, Medicare, coverage begins on the first of the month in which you turn 65 (except if your birthday is on the first, then Medicare coverage begins on the first day of the month prior to your birthday). Enrolling in Social Security at age 65 or later automatically enrolls you in Medicare Part A, and the enrollment can be retroactive up to six months prior to signing up for Social Security. Check on the date of your Medicare enrollment and pro-rate the contributions accordingly.

NOTE: You can make an HSA contribution after you enroll in Medicare if you did not maximize your contribution for your last full year of HSA eligibility. You have until the tax filing date of the year following the tax year you lose HSA eligibility to make HSA contributions. You can do this even if you are no longer eligible for an HSA as long as you are making a contribution for a period when you were eligible.

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How do I cancel my HSA contributions when I become enrolled in Medicare?

When you enroll in Medicare you will need to cancel all contributions to your HSA. Contact your employer to cancel payroll contributions and HealthEquity to cancel direct contributions.

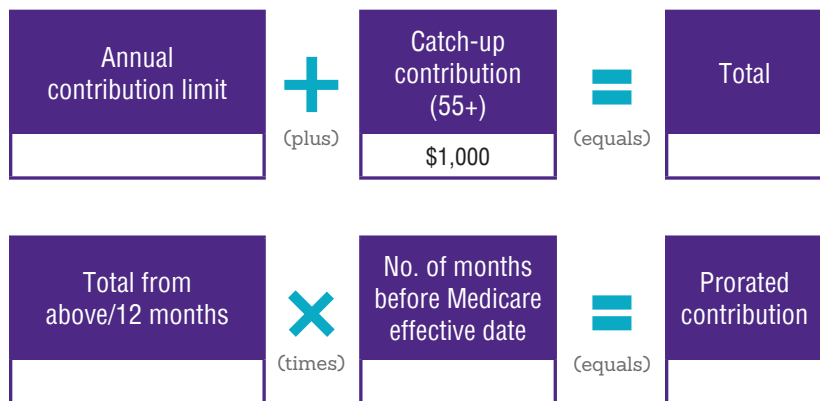
¹ This is HealthEquity's understanding for how Medicare works as of this printing. If you have questions, contact your Social Security Office for exact and updated information.

Q If I become enrolled in Medicare, how do I determine my pro-rated contribution?

A When you become Medicare enrolled you will need to pro-rate your contributions to include only the months you are eligible to contribute to avoid tax penalties.

Use the formula below to find your pro-rated contribution amount:

$$\left(\frac{\text{Annual contribution limit} + \text{Catch-up contribution (55+)}}{12 \text{ months}} \right) \left(\frac{\text{No. of mos. before Medicare effective date}}{12} \right) = \text{Prorated contribution}$$



Q Do pro-rated HSA contributions need to be made prior to my 65th birthday if Medicare will be effective as of that month?

A No, contributions can be made any time up until your tax filing deadline (April 15th).

Pro-rated HSA examples

Bill turns 65 on August 27 and enrolls in Medicare. He is no longer eligible to contribute to his HSA as of August 1. His maximum contribution for the year would be 7/12 (he was eligible seven twelfths of the year) times the applicable federal limit. He may include the catch-up amount of \$1,000 since he's over the age of 55.

Rachel turns 65 on April 1 and enrolls in Medicare. She is not eligible to contribute to her HSA beginning March 1. Her maximum contribution for the year would be 2/12 (two twelfths of the year). She may include the catch-up amount of \$1,000.

Q I am covered by an HSA qualified health plan with an HSA. My spouse is enrolled in Medicare and also covered under the HSA qualified health plan. Can I still contribute to my HSA?

A Yes, being eligible to contribute to your HSA is determined by the status of the HSA owner and not the status of your spouse or tax dependents. Your spouse can be on Medicare without disqualifying you from contributing to your HSA, and your spouse can continue to be covered by the HSA qualified plan, as well as use HSA funds to cover their qualified medical expenses. Note: Your spouse cannot contribute to an HSA and the family maximum contribution cannot be split with your spouse.

Q I am enrolled (or want to enroll) in Medicare, but I still have money in my HSA. What happens to these funds?

A HSA funds can continue to be spent on a tax-free basis for eligible medical expenses for you, your spouse and your tax dependents. For example, you can reimburse yourself for the Medicare premiums. If you, as the account holder, are over 65 and the money is drawn for other than medical expenses, it is subject to income tax, but no other IRS penalties apply because you are over 65.



For additional information visit:

Medicare.gov/

Or call:

1.800.MEDICARE

(1.800.633.4227)