

Medicare and HSA

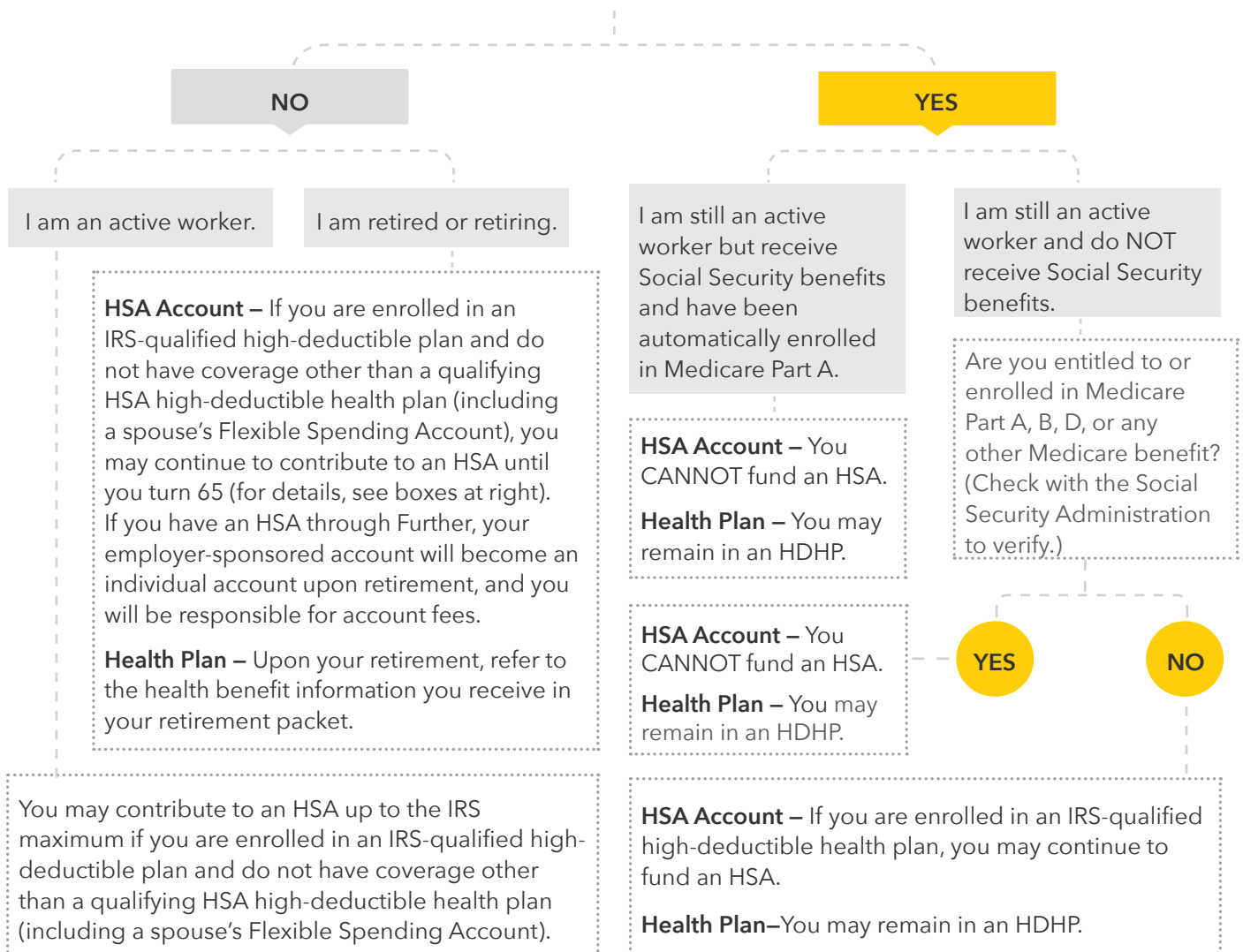
As you approach retirement age your health plan needs will be changing. It is important to understand how Medicare may impact your HSA. By law, people eligible, entitled, or enrolled in Medicare are no longer allowed to contribute to an HSA. Use the following chart and FAQ to determine when you should cease contributing to your HSA and how you should manage and utilize the account going forward.

Contributing to an HSA

Overview of IRS rules regarding Health Savings Accounts

ARE YOU 65 OR OVER?

(If you or your spouse are 65 or are approaching age 65, **seek the advice of a tax professional** before making any decisions.)



- **Note:** If your spouse is age 65 or over and has applied for or begun receiving Social Security benefits (and is entitled to or enrolled in Medicare), he or she cannot contribute to an HSA. You may contribute up to the family maximum provided your spouse is enrolled as your dependent under your HDHP coverage.
- **Post-deductible Medical FSA:** A post-deductible medical FSA can be offered alongside an HSA and provides reimbursement after the annual health plan deductible has been satisfied. It can also be used for eligible dental and vision expenses before the deductible has been met.

Q: When I turn 65 will I automatically enroll in Medicare Part A?

A: If you already get benefits from the Social Security Administration or the Railroad Retirement Board, you are automatically entitled to Medicare Part A and Part B starting the first day of the month that you turn 65. You do not need to do anything to enroll.

If you are not receiving Social Security, Railroad or disability benefits, you can enroll in Medicare and a Medicare drug plan up to 3 months before your 65th birthday and no later than 3 months after the month of your birthday. You will need to submit an application to the Social Security Administration.

Q: I am turning 65 in April and will be enrolled in Medicare at that time. How much can I contribute to the HSA for the year?

A: Once you, as the account holder, are enrolled in Medicare you must pro-rate the contributions for the year the coverage begins. Coverage will begin on the first of the month in which you turn 65. In this case you would take the allowed contribution for the year (including any catch up contribution) and divide it by 12. Since you are eligible to contribute from Jan - Mar, multiply the monthly amount by three to get your maximum allowed contribution amount.

Q: Does this contribution need to be made prior to my birthday?

A: No, contributions can be made up until your tax filing deadline, typically April 15th.

Q: I am married, covered by a family HDHP with an HSA. My spouse is enrolled in Medicare but also covered under the family HDHP. Can I still contribute to the HSA?

A: Yes, being eligible to contribute to the HSA is determined by the status of the

HSA account holder not the dependents of the account holder. Your spouse being on Medicare does not disqualify you from continuing contributions to the HSA up to the family limit, even if they are also covered by the HDHP.

The impact of Medicare on HSA

Eligible:

If you met the requirements to qualify for Medicare part A, but have not yet applied continue to contribute to your HSA past age 65 and postpone applying for Social Security and Medicare until you stop working. There is no penalty for this delay as long as you maintain your current health coverage.

Entitled:

If you are entitled to Medicare because you signed up for Medicare Part A at age 65 or later and have applied for Social Security Benefits you cannot continue to contribute to an HSA. You can continue to withdraw any remaining funds in your account. If you are entitled to Medicare because you signed up for Medicare Part A at age 65 or later but have not yet applied for Social Security Benefits, you can withdraw your application for Part A. There are no penalties or repercussions and you are free to reapply for Part A at a future date. This will allow you to continue to contribute to the HSA until you decide to reapply for Part A.

Enrolled:

If you have applied for, or are receiving, Social Security Benefits - which automatically entitles you to Part A - you cannot continue to contribute to an HSA. You can continue to withdraw any remaining funds in your account.

Q: I am married, covered by a family HDHP with an HSA. My spouse enrolled in Medicare as of 03/01. At that time our HDHP changed from family to single coverage. Can I still contribute to the HSA?

A: Yes, you may still contribute to the HSA, but changing from family HDHP coverage to single will impact the amount you may contribute. You may contribute 1/12 of your family contribution (including any catch up contribution) for each month you had family HDHP coverage + 1/12 of the single contribution (including any catch up contribution) for each month you have single coverage based on your status on the first of the month.

Q: I'm enrolled in both Medicare and covered under the HDHP through my employer. Who should claims be submitted to?

A: Since you are still enrolled in the HDHP the claim should be submitted there first, then to Medicare. If there is any patient responsibility after Medicare processes the claim that can be submitted to your HSA account. Please note that crossover will stop working once you turn 65, so these claims will need to be submitted manually.

Q: I am enrolled in Medicare and still have money left in my HSA account. What happens to these funds?

A: HSA funds can continue to be spent on a tax free basis for eligible medical expenses for you and any eligible tax dependents. 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 penalties apply.

Q: I received Medicare Part A through disability, but will be returning to work and my payments will stop. Can I resume contributing to an HSA at that time?

A: You become entitled to Medicare after the 25th disability check from Social Security. In other words, you automatically go into the Medicare system. Even after you return to work your Medicare entitlement continues for up to 93 months from the time you first applied for disability. This makes you ineligible to resume contributing to an HSA account.

The only way you can opt out of Part A is to repay Social Security for any disability payments you received, even if you never used Part A for medical services, and to repay Medicare if you did utilize Part A during the disability.

Q: Are Medicare premiums eligible to be drawn from the HSA account?

A: Being eligible to claim Medicare premiums from the HSA is determined by the status of the HSA account holder not the dependents of the account holder. Premiums for Medicare Part A, B, C and D can be reimbursed from the HSA as long as the account holder is at least 65 years old. These can be Medicare premiums for the account holder or any eligible dependents. Premiums for Medicare supplement insurance are not eligible for reimbursement.

Q: Can I contribute to my HSA if over Age 65 but not entitled or enrolled in Medicare?

A: Yes, so long as he or she is not entitled or enrolled in Medicare Part A, B, C, or D, or any other Medicare benefits. Consider this example: Jean is age 66, and will retire at age 68. She has decided to delay receiving Social Security benefits until she retires. Because Jean is over age 65, she could apply for Medicare Part A. But she will not be entitled to Medicare unless she applies for it. She will be eligible for HSA contributions until she applies for Medicare or begins receiving Social Security benefits, so long as she meets the other requirements for being an HSA eligible individual (e.g., she has HDHP coverage and no other impermissible coverage, and she cannot be claimed as anyone else's tax dependent).

Caution

If you do not take Medicare when you first qualify, you must take special precautions if and when you do decide to collect Social Security benefits (either while working or when you retire). You need to be sure to stop all contributions to your HSA up to six months before you collect Social Security. This is because when you apply for Social Security, Medicare Part A will be retroactive for up to six months (as long as you were eligible for Medicare during those six months). If you do not stop contributing the six months before you apply for Social Security, you may have a tax penalty. The penalty is because you were not supposed to put money into your HSA while you had Medicare.