

Health Savings Accounts and Medicare



Beware enrolling in Medicare Part A if you are still working after age 65

Warning!



If you're working and have employer group health coverage with creditable drug coverage, you may delay enrolling in Medicare after age 65 without late enrollment penalties. But if you participate in a high deductible medical insurance plan with a Health Savings Account (HSA), take note. Special rules apply regarding Medicare and your ability to continue contributing to the HSA. If you enroll in any Part of Medicare, you can no longer make tax protected contributions to your HSA account. For individuals with qualified employer group health insurance who may qualify to delay Medicare enrollment past age 65, it's especially important to understand how getting Medicare coverage impacts your HSA.

What happens to your HSA once you enroll in Medicare?

If you have any Part of Medicare, you can no longer make pre-tax contributions to your HSA, although you can spend the amount already in your account. If you apply for SSA benefits after age 65, you will automatically be enrolled in Part A retroactively up to six months before the date that your SSA benefits start. This could cause you to owe taxes on any HSA contributions you made during that retroactive period. If not corrected, there is also an ongoing penalty on those contributions which were made.



Many people turning 65 who continue to work may consider getting Medicare Part A since it is premium-free. But, as stated above, once you enroll in Part A, you can't make any more pre-tax contributions to your HSA. If you plan to keep working and want to continue building up your HSA, check to see if you're eligible to delay Medicare enrollment. If you're receiving Social Security benefits however, you do not have the option to defer Medicare Part A.

When should I discontinue my HSA contributions?

When you enroll in Medicare Part A and Part B, the Part A coverage is retroactive for up to 6 months, but no earlier than your eligibility date (usually age 65). If you are over age 65½, you may want to stop HSA contributions around 6 months before enrolling in Medicare. You can contribute to your HSA for the months that you were eligible for Medicare and it was not yet effective.

The Good News: You Can Keep Using Your HSA Funds



Now for the good news! Even after you enroll in Medicare and stop HSA contributions, you are still able to withdraw funds tax-free for qualified medical expenses. You can even use your HSA to pay for some Medicare expenses including your Medicare Part B, Part D and Medicare Advantage plan premiums, deductibles, copays, and coinsurance. But, HSA funds cannot be used to pay for Medigap premiums.

What if my spouse enrolls in Medicare?

Your spouse may enroll in any Part of Medicare without impacting your eligibility to participate in the tax advantage aspects of an HSA. Eligibility to contribute to the HSA is determined by the status of the HSA account holder not the dependents of the account holder. You and your spouse may continue to contribute to the HSA and even make withdrawals to pay for spousal Medicare medical expenses as outlined above.

Consider Your Options Carefully

In summary, once you get Medicare, you're no longer able to keep contributing to your HSA. You are still able to use the HSA funds for qualified medical expenses, including some Medicare costs. You may want to consult with your HR Department and Tax Advisor for complete information on this important issue.

Contra Costa County Health Insurance Counseling and Advocacy Program (HICAP)

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Navigating Medicare



This project was supported, in part by grant number CFDA 93.324 from the U.S. Administration for Community Living, Department of Health and Human Services, Washington, D.C. 20201. Grantees undertaking projects under government sponsorship are encouraged to express freely their findings and conclusions. Points of view or opinions do not, therefore, necessarily represent official Administration for Community Living policy.