

What is Medicare?

Medicare is a federal health insurance program for people 65 and older, individuals receiving Social Security Disability benefits and people with End-Stage Renal Disease. **Note: if enrolling in Medicare after age 65, the Center for Medicare and Medicaid Services can retroactively enroll back in coverage for up to 6 months.**

What is an HSA?

A Health Savings Account, or HSA, is a tax-advantaged benefit account that allows people who are on a qualified high deductible health plan (HDHP) to make tax-free contributions to a medical savings account (only when a cafeteria plan is in place). HSAs are owned by the participant who uses the account to pay for eligible medical expenses. Distributions from the HSA that are used for eligible expenses are tax-free. In addition, the owner earns tax-free interest and investment income from the HSA funds.

Once the HSA owner is retired and has reached the age of 65, he or she can use the account as a supplemental retirement fund. The HSA can continue to be used for eligible medical expenses or spent on other expenses without penalty. However, if used for non-eligible expenses, those distributions are taxed as income.

Medicare and HSA's FAQ's

Question	Answer
Can I continue to contribute to my HSA once I sign up for Medicare?	<p>The short answer is no; if you enroll in Medicare Part A and/or B, you will no longer be able to contribute pre-tax dollars to your HSA. The reason is, in order to contribute pre-tax dollars to an HSA, you must be enrolled in a HDHP and nothing else.</p> <p>The month that your Medicare coverage begins, you should reduce your contribution to your HSA account to zero. The HSA funds, however, remain yours. You may continue to withdraw or use money from your HSA after your Medicare takes effect to help pay for your medical expenses, such as deductibles, premiums, copayments and coinsurances. In order for the funds used to remain tax-free, they must be used for qualified medical expenses.</p>
I will be eligible for Medicare this year, but I do not plan to enroll until I retire. I plan on remaining on my employer's insurance plan until that time. Can I keep contributing to my HSA?	<p>If an individual is 65 and receiving Social Security benefits, he or she will be automatically enrolled in Medicare and would not be eligible to contribute to your HSA. Some employer's insurers may require that their employees sign up for Medicare when turning 65. This is an insurers rule, not a federal requirement.</p> <p>Otherwise, you can delay taking Medicare benefits and can continue to stay on your employers HDHP and make HSA pre-tax contributions. You would need to check with your employer and their benefit insurer to see if this is an option for you. Keep in mind that penalties may apply for delaying enrollment in Medicare.</p>

Medicare and HSA's FAQ's

Question	Answer
<p>My spouse is enrolled in Medicare, but I will still be covered by a high-deductible health plan for the rest of this year.</p> <p>How much will I be able to contribute to my HSA?</p>	<p>If you and your spouse are both on your high-deductible health plan (HDHP), you would then be able to contribute up to the IRS family maximum for that year to an HSA in your name. If you are 55 or older, you would also be able to make the additional catch-up contribution.</p> <p>However, if you are covering only yourself on the HDHP, then you would only be able to contribute the IRS maximum amount for that year for a single person amount. As your spouse is on Medicare, they would not be eligible to contribute to an HSA at all. If your spouse is also on your HDHP, then they still would not be eligible to contribute.</p>
<p>My spouse is covered by Medicare and is not enrolled in my HDHP.</p> <p>I can't contribute for her, but can I pay for her expenses from the money I have accumulated in my HSA?</p>	<p>Yes, you are allowed to pay for eligible expenses from your HSA for yourself as well as your tax dependents, even if your dependent is not covered under your medical plan and/or has other coverage. This includes co-pays, deductibles and other eligible expenses for which you will not be reimbursed elsewhere.</p>
<p>I will be enrolling in Medicare later this year. The first part of the year, I will be covered only by my HDHP at work and the second part of the year I will only be covered by Medicare.</p> <p>How much can I contribute to my HSA?</p>	<p>You will be eligible to contribute to your HSA only for those months that you are not enrolled in Medicare. Your contributions to your HSA must reflect the prorated amount that you would be allowed to contribute.</p> <p>For example: If you enroll in Medicare starting June 1, then you were only eligible to contribute to your HSA for 5 months of the year. To calculate this amount, you must take the applicable IRS maximum contribution (single or family) that you were eligible for, plus any catch-up amount and divide by 12 months. That gives you a contribution per month amount, and simply times by 5 months for your max contribution for the year.</p>
<p>What happens to the money I have saved in my HSA once I enroll in Medicare?</p>	<p>You can no longer make contributions to your HSA once you enroll in Medicare but the good news is that the money you have accumulated in your account remains yours to spend tax-free on eligible expenses including Medicare premiums, co-pays or deductibles, vision and dental expenses, or any other eligible expense listed in IRS Publication 502. You may also use your funds to pay for any eligible expenses for your tax dependents as well (see above).</p> <p>Also, if you are age 65 or older, you have the option to withdraw the money for any purpose and pay only the income tax; no penalty applies.</p>