



As you get closer to retirement, your health plan needs will be changing. It's important to understand how Medicare can impact your HSA. By law, people eligible, entitled, or enrolled in Medicare are no longer allowed to contribute to an HSA.

summit

This document provides useful information including an overview of Medicare statuses, FAQs, and a chart that is useful for helping you know when you should stop contributing to your HSA and how you should use the account going forward.

## Medicare and how it affects your HSA

### Medicare statuses:

#### ▶ Medicare Eligible

If you meet the requirements to qualify for Medicare part A, but have not yet applied, you can continue making contributions to your HSA after age 65 and postpone applying for Social Security and Medicare until you stop working. There is no penalty for postponing as long as you maintain your current health coverage.

#### ▶ Entitled to Medicare

- 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 for withdrawal, and you are free to reapply for Part A at a future date. This allows you to continue to making contributions to your HSA until you reapply for Part A.

#### Enrolled in Medicare

- ▶ 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. However, since you own the HSA, you can continue to withdraw any remaining funds in your account.

## Frequently Asked Questions (FAQs)

**Q: When I turn 65, am I automatically enrolled in Medicare Part A?**

**A:** 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, if you are not already receiving benefits from Social Security, the Railroad Retirement Board, or disability. You will need to submit an application to the Social Security Administration.

If you already get Social Security or Railroad benefits, you are automatically entitled to Medicare Part A and Part B starting the first day of the month that you turn 65. You will be automatically enrolled and do not need to submit an application.

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

**A:** As the account holder, once you're enrolled in Medicare you must pro-rate the contributions for the year the coverage begins. Coverage begins on the first of the month in which you turn 65.

In this example, to determine your contribution limit for the year:

- First, take the allowed contribution for the year (including any catch up contribution) and divide it by 12 to get the monthly contribution total.
- Then, calculate your contribution by multiplying the monthly amount by five (January through May) to get your maximum allowed contribution amount.

**Q: Do I have to make this contribution prior to my birthday?**

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

**Q: I'm married and covered by a family high deductible health plan (HDHP) with an HSA. My spouse is enrolled in Medicare but also covered under the family HDHP. Am I allowed to contribute to the HSA?**

**A:** Yes. The ability to contribute to the HSA is determined by the status of the account owner, not the account owner's dependents. Your spouse's Medicare coverage does not disqualify you from continuing contributions to the HSA up to the family limit.

**Q: I'm married and covered by a family HDHP with an HSA. My spouse enrolled in Medicare as of 07/01, then our HDHP changed from family to single coverage. Can I still contribute to the HSA?**

**A:** Yes, you may still contribute to the HSA. However, changing from family HDHP coverage to single will affect your contribution limit. 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.

In this example, you could contribute 6 months of your family contribution plus 6 months of single coverage contribution.

**Q: I'm enrolled in both Medicare and covered under the HDHP through my employer. What is the claims filing process?**

**A:** Medicare is the secondary payer in this case. Since you are still enrolled in the HDHP, first submit the claim there, then to Medicare. If there is any patient responsibility after Medicare processes the claim, you can submit that 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 have a balance in my HSA and I'm enrolled in Medicare. What happens to those funds?**

**A:** You can continue spending your HSA funds, tax free, for eligible medical expenses for you and any eligible dependents. If you, as the account holder, are over 65 and the money is spent on items or services other than medical expenses, that money will be taxed as income but not penalized.

**Q: I received Medicare Part A through disability, but will be returning to work. Once the payments stop, can I resume making contributions to my HSA?**

**A:** You become entitled to Medicare after you receive your 25th disability check from Social Security (automatically entered into the Medicare system). After you return to work, your Medicare entitlement continues for up to 93 months from the time you first applied for disability. Therefore, you are ineligible to resume contributions to your HSA.

In order to opt out of Part A:

- You must repay Social Security for any disability payments you received, even if you did not use Part A for medical services, and
- Repay Medicare if you utilized Part A during your disability.

**Q: Can I pay Medicare premiums from my HSA account?**

**A:** Medicare premiums for Parts A, B, C, and D are an eligible expense if the HSA owner is 65 years or older. These include 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 I'm over age 65, but not entitled or enrolled in Medicare?**

**A:** Yes, so long as he or she is not entitled to or enrolled in Medicare Part A, B, C, or D, or any other Medicare benefits.

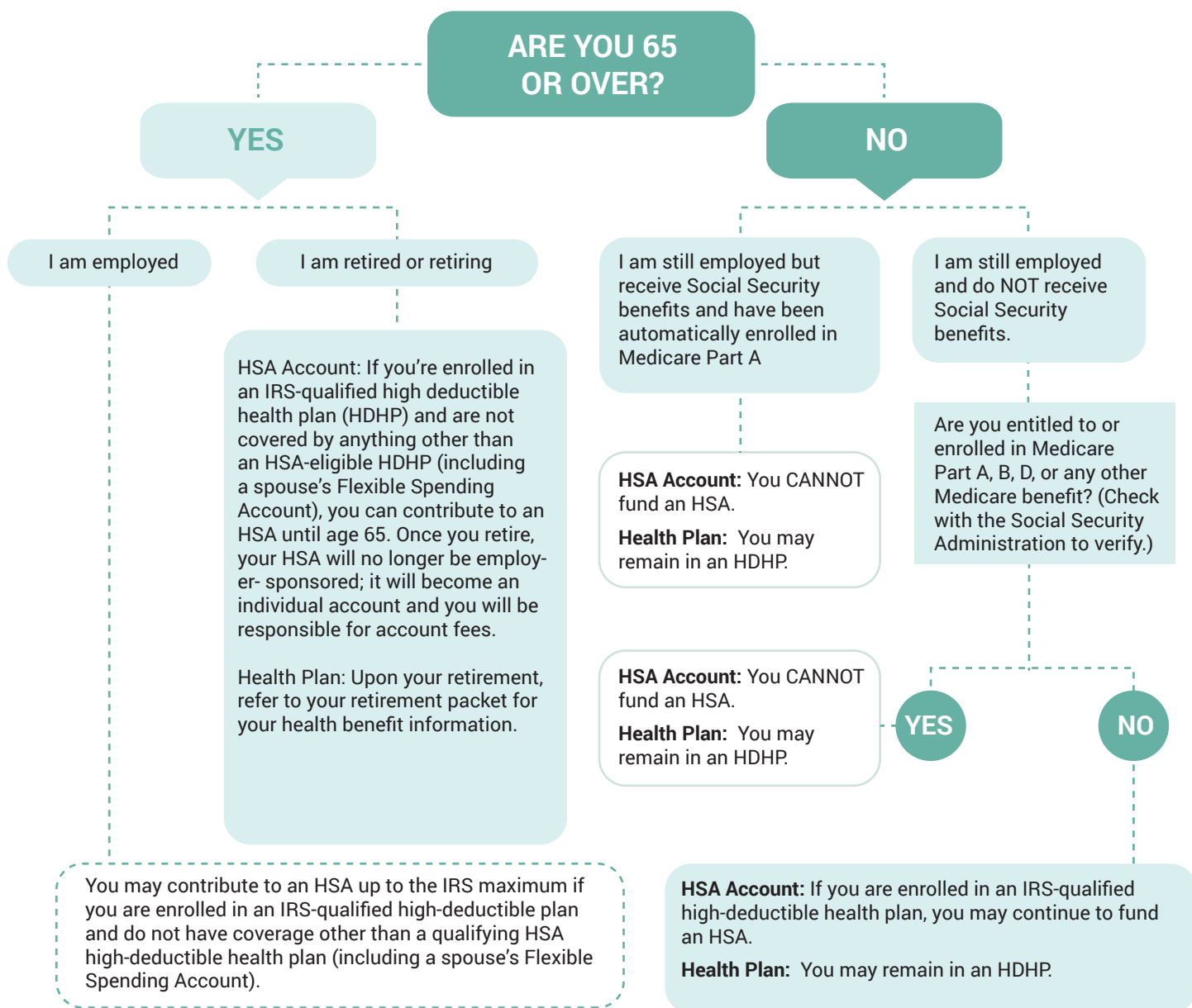
For example: William is age 66, and will retire at age 68. He has chosen to delay his Social Security benefits until he retires. Since William is over age 65, he could apply for Medicare Part A, but will not be entitled to Medicare unless he applies for it.

William will be eligible for HSA contributions until he applies for Medicare or begins receiving Social Security benefits, so long as he meets the other requirements for HSA eligibility (e.g., he has HDHP coverage and no other impermissible coverage, and cannot be claimed as anyone else's tax dependent).

**NOTE:** 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.

# Contributing to an HSA

Overview of IRS rules regarding Health Savings Accounts



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.

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