As you approach retirement age your health plan needs will be changing. It is important to understand how Medicare may impact your HSA because once you are enrolled in Medicare, you are not legally allowed to contribute to your HSA. Use this information to determine when you should stop contributing to your HSA and how you should manage and utilize the account going forward.

IRS rules regarding contributing to an HSA

**ARE YOU 65 OR OVER?**

- **NO**
  - I am an active worker.
  - I am retired or retiring.
  - **HSA Account** – If you are enrolled in an IRS-qualified high-deductible plan and do not have coverage other than a qualifying HSA high-deductible health plan (including a spouse’s Flexible Spending Account), you may continue to contribute to an HSA until you turn 65 (for details, see boxes at right). If we administer your HSA, your employer-sponsored account will become an individual account upon retirement, and you will be responsible for account fees.
  - **Health Plan** – Upon your retirement, refer to the health benefit information you receive in your retirement packet.

- **YES**
  - I am still an active worker and do NOT receive Social Security benefits.
  - **HSA Account** – You CANNOT fund an HSA.
  - **Health Plan** – You may remain in an HDHP.

**Enrolling in Medicare**

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.

*Note*: On the first day of the month you turn 65 and enroll in Medicare, you can no longer contribute to an HSA. This is because to contribute to an HSA, you must have a High Deductible Health Plan (HDHP). Medicare is not an HDHP, so you can't contribute to your HSA after enrolling in Medicare.

**Making a prorated contribution**

Medicare coverage begins on the first day of the month in which you turn 65. You can make a prorated contribution for the year you enrolled in Medicare that covers the months before you enrolled. This contribution can be made up until the HSA contribution deadline, typically April 15th of the following year.

To prorate your contribution, take the allowed contribution for the year (including any catch-up contribution) and divide it by 12, then multiply it by the number of months for which you can contribute. For example, if you turn 65 in April, you can contribute January-March; three months. You would multiply your monthly prorated rate by three to get your maximum allowed contribution amount.

**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.

**Spouses with Medicare**

Being eligible to contribute to the HSA is determined by the status of the HSA account holder; not the dependents of the account holder. If your spouse enrolls in Medicare, this does not automatically affect your ability to contribute. It may change your contribution limits, however.

In order to contribute the maximum family contribution limit, you must have family coverage with an HDHP. If your spouse enrolls in Medicare and this changes your HDHP coverage to single, this will affect your yearly contribution limit.

If your spouse enrolls in Medicare partway through the
year, you can prorate your contributions.

Example

Your spouse enrolls in Medicare as of March 1st and your HDHP coverage changes from family to single at that time. You would:

1. Take 1/12 of your family contribution limit (including any catch-up contribution) and multiply that number by the number of months for which you have family HDHP coverage (in this example, January and February: 2 months).

2. Take 1/12 of the single contribution limit (including any catch-up contribution), and multiply that number by the number of months for which you have single coverage (in this example, March through December: 10 months).

3. Add those two results together.

Note: Monthly coverage is based on your HDHP status on the first of the month.

Withdrawing HSA money after age 65

At age 65, there is a significant change in the HSA rules: You can take money out of your HSA for any reason without penalty. However taxes may apply, depending on what you use the money for.

- Withdrawals for eligible medical expenses are both penalty-free and tax-free.
- Withdrawals made any other purpose are penalty-free but are taxed.

Spending your HSA money after enrolling in Medicare

There are several that Medicare doesn't cover but that your HSA might. The funds in your HSA can pay for expenses like Medicare premiums, deductibles, copays, and coinsurance under Medicare.

If you're over 65 and have retiree health benefits through your former employer, your HSA can pay for retiree medical insurance premiums.

Below are some examples of expenses your HSA covers, but Medicare does not:

- Nursing home expenses
- Unconventional treatments for terminal illness
- Proactive health screenings
- Long-term care, (e.g., daily living activities such as dressing, bathing, and feeding)

See Eligible Expenses for a searchable list of expenses that your HSA covers.

HSA funds cannot be used to pay premiums for a Medicare supplement or “Medigap” plan.

Frequently Asked Questions

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: 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 all claims must be submitted manually once you turn 65.

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.

Have questions about how Medicare works with an HSA?

Call:

1-800-MEDICARE
1-800-633-4227
TTY line 1-877-485-2048