

Health Savings Accounts (HSA) and Medicare

It's important to understand how Medicare may impact your ability to fund a health savings account (HSA). By law, individuals entitled to Medicare are not permitted to make or receive contributions to an HSA. "Entitled to" means you are both eligible for and enrolled in any part of Medicare (A, B, C, or D).

The following information will help you understand your options at age 65 as it relates to an HSA. We recommend you contact the Social Security Administration at 1 (800) 772-1213 to find out which benefits, if any, you are currently receiving. We also recommend you seek the advice of a financial professional before making any decisions.

HSA Eligibility at Age 65

If you are currently contributing to an HSA and enroll in Medicare (which is automatic for individuals receiving Social Security or Railroad Retirement benefits), please note the following:

- You will lose HSA eligibility as of the first day of the month your Medicare coverage begins.
- You may continue to use your HSA funds for qualified health care expenses. Withdrawals for non-health care expenses are subject to ordinary income taxes but are not subject to penalties.
- You may use your HSA to pay for Medicare coverage and long-term care policy premiums.

Retroactive Part A Coverage

If you qualify for premium-free Medicare Part A, your coverage is effective up to six months (retroactively) from when you sign up. In order to avoid any potential tax penalties, you should stop making contributions to your HSA six months before you enroll in Medicare (or apply for Social Security benefits if you want to collect retirement benefits before you stop working).

Maintaining HSA Eligibility at Age 65

If you would like to continue making contributions to your HSA, you can delay enrolling in Medicare until you lose employer coverage. You will not pay a penalty for delaying Medicare, as long as you enroll within eight months of losing your coverage or stopping work (whichever happens first). About six months before your 65th birthday, you should receive a notice from the Social Security Administration of your rights to elect Medicare Parts A and B, and the rules to avoid late entrance penalties.

Stopping Medicare to Reclaim HSA Eligibility

If you signed up for or were enrolled in Medicare Part A and now want to decline it, you can do so by contacting the Social Security Administration. Assuming you have not begun receiving Social Security checks, waiving Part A will reestablish your eligibility for an HSA. If you have applied for or have begun receiving Social Security checks, the only way you can opt out of Medicare Part A is to repay the government for any Social Security payments and any medical claims Medicare reimbursed on your behalf. If you choose to opt out of Part A to reclaim HSA eligibility, you must also opt out of any other part of Medicare (B, C, or D) in which you are enrolled.

This notice is for informational purposes only and may not be construed as legal or tax advice. Please seek advice from a financial advisor as well as the Social Security Administration at 1 (800)-772-1213 to determine if postponing or stopping Medicare and Social Security benefits is right for you.