

As you approach retirement age your health plan needs will be changing. It is important to understand how Medicare may impact your HSA. By law, people eligible, entitled, or enrolled in Medicare are no longer allowed to contribute to an HSA. Use the following chart and FAQ to determine when you should cease contributing to your HSA and how you should manage and utilize the account going forward.

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Will I be 65 later a calendar year? Medicare Part A?

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.

I am turning 65 in April and will be enrolled in Medicare at that time. How much can I contribute to the HSA for the year?

Once you, as the account holder, are enrolled in Medicare you must pro-rate the contributions for the year the coverage begins. Coverage will begin on the first of the month in which you turn 65. In this case you would take the allowed contribution for the year (including any catch up contribution) and divide it by 12. Since you are eligible to contribute from Jan – Mar, multiply the monthly amount by three to get your maximum allowed contribution amount.

Does this contribution need to be made prior to my birthday?

No, contributions can be made up until your tax filing deadline, typically April 15th.

I am married, covered by a family HDHP with an HSA. My spouse is enrolled in Medicare but also covered under the family HDHP. Can I still contribute to the HSA?

Yes, being eligible to contribute to the HSA is determined by the status of the HSA account holder not the dependents of the account holder. Your spouse being on Medicare does not disqualify you from continuing contributions to the HSA up to the family limit, even if they are also covered by the HDHP.

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Q: Can I contribute to my HSA if over Age 65 but not entitled or enrolled in Medicare?

A: Yes, so long as he or she is not entitled or enrolled in Medicare Part A, B, C, or D, or any other Medicare benefits. Consider this example: Jean is age 66, and will retire at age 68. She has decided to delay receiving Social Security benefits until she retires. Because Jean is over age 65, she could apply for Medicare Part A. But she will not be entitled to Medicare unless she applies for it. She will be eligible for HSA contributions until she applies for Medicare or begins receiving Social Security benefits, so long as she meets the other requirements for being an HSA eligible individual (e.g., she has HDHP coverage and no other impermissible coverage, and she cannot be claimed as anyone else's tax dependent).

Caution

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.