

HSA and Medicare

There's a lot to learn regarding a Health Savings Account (HSA) and Medicare. Below are some key details to keep in mind, along with commonly asked questions and answers.

Can I have an HSA and Medicare?

- If you're enrolled in Medicare, you aren't eligible to enroll in or contribute to an HSA.
- If you had an HSA when you enrolled in Medicare, you can still use your HSA funds to pay for eligible expenses for yourself, your spouse and/or tax dependents.
- Your eligibility to make or receive contributions to the HSA will cease on the date of your enrollment in Medicare.

Can I have an HSA if my spouse is enrolled in Medicare and I'm not?

Yes. If you're eligible to open and contribute to an HSA, then you can do so — regardless of your spouse being enrolled in Medicare. You can also still contribute up to the family maximum if you remain covered on a family high-deductible health plan (HDHP).

Can I use my HSA to pay for my spouse's health care expenses if they're enrolled in Medicare?

Yes.

Are there penalties if I use my HSA when I begin receiving Medicare benefits?

No. The only time you may incur penalties is if you use your HSA funds for an expense that isn't eligible.

Are Medicare premiums an eligible HSA expense?

If you are the HSA holder and are age 65 or older, Medicare premiums are a qualified expense. However, if you are not 65 or older, Medicare premiums for coverage of the spouse or dependent (who is 65 or older) generally aren't qualified expenses.

I'm 65 and I have Medicare. I also still have coverage through my employer health plan. May I use my HSA funds to pay my employer coverage?

It depends on how you pay for your employer's health plan. If you pay those premiums with pretax money from your pay, then the answer is no. If you pay the premiums with after-tax money, then you can use the HSA funds for this expense. Once you reach age 65, this is an eligible expense for the HSA.

Is Medicare Supplemental coverage an eligible HSA expense?

No. Medicare Supplemental policies aren't eligible expenses.

What insurance premiums are eligible HSA expenses?

Long-term care insurance, health care continuation coverage, health care continuation coverage while receiving unemployment compensation (for you, your spouse or a dependent) or Medicare and other health care coverage if you are over 65 are eligible expenses.

What are other eligible HSA expenses?

Eligible expenses include office visit copays, dental expenses and vision care, to name a few. An extensive list of eligible HSA expenses can be found at PayFlex.com

If my spouse and I are enrolled in my employer's HSA-qualified plan and I enroll in Medicare, can my spouse open an HSA?

Yes, if your spouse is otherwise HSA-eligible. Individuals don't have to be the medical plan subscriber to be HSA-eligible. You or your spouse can then make tax-deductible contributions into the HSA, up to the family maximum, if you remain covered on a family HDHP (even if only your spouse is HSA-eligible). For some couples, this provision in the law allows them to continue to contribute to an HSA (and build income-tax-free balances for distribution in retirement) for several years after the older spouse enrolls in Medicare.

If I'm not HSA-eligible, can I enroll in my employer's HSA-qualified medical plan?

Yes. HSA eligibility refers to your ability to open and contribute to an HSA, not whether or not you can enroll in a medical plan.

Can I make income-tax-free distributions from my HSA for non-qualified medical expenses when I turn 65?

No. However, once you turn 65 or meet Social Security's definition of disabled, you can make distributions for items that aren't HSA-qualified without incurring the 20% additional tax (penalty) otherwise assessed to non-qualified medical expenses.

What happens if I delay enrolling in Medicare?

If you delay enrolling in Medicare, you may receive up to six months of retroactive Medicare coverage. That period of retroactive coverage will be a period of Medicare entitlement. You will lose your HSA eligibility on the retroactive entitlement date, not the date you applied for Medicare coverage, making you ineligible to contribute to an HSA for those prior six months.

I became eligible for Medicare during the year. Can I continue to contribute to my HSA?

Starting with the month that you're enrolled in Medicare, you are no longer eligible to contribute to an HSA. However, you can still use your funds for eligible expenses.

PayFlex Systems USA, Inc. is an affiliate of Aetna Life Insurance Company.

This material does not contain legal or tax advice. You should contact your legal counsel or tax advisor if you have any questions or need additional information. PayFlex does not provide any payment or service in violation of any United States economic or trade sanctions. This material contains only a partial, general description of plan benefits or programs and is not a contract. If this material conflicts with the plan documents, the plan documents will govern. Eligible expenses may vary from employer to employer. Please refer to your employer's Summary Plan Description ("SPD") for more information about your covered benefits. For more information about PayFlex, go to PayFlex.com

There may be fees associated with a Health Savings Account ("HSA"). These are the same types of fees you may pay for checking account transactions. Please see the HSA fee schedule in your HSA enrollment materials for more information.