Medicare and Your HSA

Are you eligible for Medicare and Social Security? If you're thinking about enrolling in Medicare or you've already enrolled, you may have questions about how your enrollment impacts your eligibility to contribute to and use your HealthEquity® Health Savings Account (HSA). The good news - even if you are ready to elect Medicare, you can continue to pay for your health care costs tax free with your HSA.[1]

HSAs and Medicare Eligibility

Becoming eligible for Medicare does not impact your ability to make contributions or withdrawals from your HSA, assuming you otherwise remain HSA eligible. **Once you enroll in Medicare Part A and/or B you are no longer eligible to make contributions to your account** but you can continue to pay for qualified medical expenses with your HSA.

Has your spouse enrolled in Medicare?

You can still contribute to an HSA as long as you are covered by an HSA-qualified health plan.

Medicare Enrollment and HSA Contributions

Your eligibility to make HSA contributions ends the month you're enrolled in Medicare Part A and/or B. Your annual HSA contribution limit is prorated based on the number of months you were eligible to contribute.[2] See the following page for information on calculating your prorated limit.

Special Note About HSAs and Social Security

It's important to note that electing to receive Social Security retirement benefits automatically enrolls you in Medicare Part A (also known as Hospital Insurance). Currently, there is no process within the Social Security Administration to waive this automatic coverage. If you meet Medicare's eligibility requirements, you may have the option to voluntarily enroll in Medicare without electing to receive Social Security Retirement Benefits.

If you are beyond your full retirement age when you sign up for Social Security retirement benefits, your enrollment in Part A could be retroactively effective by as much as six months. Under IRS rules that retroactive coverage makes you ineligible to make HSA contributions during the retroactive period. If you contribute to your HSA during this time, those contributions must be included in your taxable income and may be subject to tax penalties.

If you are planning to enroll in Social Security, you should consider discontinuing your HSA contributions at least six months before you apply for Social Security retirement benefits to avoid any adverse tax consequences.

Paying for Qualified Health Care Expenses

Once you've enrolled in Medicare, continue to use the tax-free funds from your HSA for the same qualified expenses you've always used HSA funds for, plus these additional expenses:

- Medicare Part A deductible and premiums
- Medicare Part B premiums and co-insurance
- Medicare Part D prescription drug premiums
- Medicare out-of-pocket expenses

Please note: You cannot use your HSA to pay premiums for a Medicare supplemental policy.

Calculating Your Contribution Limit

According to IRS rules, HSA contribution limits must generally be prorated by the number of months you are eligible to contribute. Eligibility is based on your coverage status on the first day of the month.

To calculate your personal contribution limit[3] :

- Take the total annual contribution limit based on your coverage type (individual or family) and the annual catch-up contribution amount (if you are age 55+)
- Divide that amount by 12
- Multiply it by the number of months you qualify that year

Example:

- You are eligible to contribute to your HSA for six months this year
- Assuming the 2019 individual contribution limit, plus the age 55 or older $1,000 catch-up contribution, your personal contribution limit would be:

  ($3,500 + $1,000) ÷ 12) x 6 = $2,250

[1]All tax references are at the federal level. State taxes vary. Please contact a tax advisor for more information. [2]To be considered eligible you must be enrolled in an HSA-qualified health plan and not have additional, disqualifying coverage. You must also meet all other eligibility criteria. [3]Your personal contribution limit may be lower than Internal Revenue Code maximums. Individuals are responsible for calculating and monitoring their contribution limits. [4]If you do not file a beneficiary designation with HealthEquity, in the event of your death, the funds will be distributed in accordance with the default beneficiary provision of the HealthEquity HSA Terms and Conditions and applicable state law.

The information provided in this document is intended as a reference for tax information. The information is general in nature, Is not complete, and may not apply to your specific situation. You should consult your tax advisor to see how Medicare applies to your personal situation.

Did you know?
When you turn 65 , the 20% tax penalty for using your HSA for non-qualified expenses is eliminated so you can use your HSA for any expense with no tax penalty. You'll just have to pay income tax, which is typically lower in retirement.

Designate Your Beneficiary

If you haven't done so already, designate a beneficiary for your HSA. This determines how your HSA funds will be distributed when you pass away.[4] The tax consequences differ depending on who your beneficiary is:

- **If your spouse is the designated beneficiary**: Your HSA will be treated as your spouse's HSA and there is no tax event — the account simply transfers to your spouse.
- **If your spouse is not the designated beneficiary**: The account stops being an HSA, and the fair market value of your HSA becomes taxable to the beneficiary in the year in which you pass away.
- **If your estate is the beneficiary**: The value of your HSA is included on your final income tax return.

To designate a beneficiary, log into your HealthEquity member portal at www.healthequity.com and complete this information under "My Profile".

We're Here to Help

For additional information on Medicare's impact to your HSA contributions, please contact HealthEquity at 866.346.5800.

For information on Medicare and Social Security benefits, contact the Social Security Administration at 800.772.1213, visit the Medicare website at www.medicare.gov, or contact a qualified accountant or attorney.

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