

# Health Savings Accounts (HSAs) and Medicare

**HSAs and Medicare are two programs run by separate federal agencies**—the Department of Health and Human Services (HHS) is responsible for Medicare, and the Department of the Treasury governs HSAs. Since each agency issues separate rules and regulations related to its own program, many times there is confusion on how they interact with one another. We're here to help clarify.

## ► WHAT IS AN HSA?

### Health Savings Accounts (HSAs)

are accounts that let individuals set aside money on a pre-tax basis to pay for qualified medical expenses. While you can use the funds in an HSA at any time to pay for qualified medical expenses, you may contribute to an HSA only if you have a High Deductible Health Plan (HDHP).

### High Deductible Health Plans (HDHPs)

may have lower monthly premiums but have higher deductibles—meaning that members pay in full for most health care items and services until they reach their deductible and before the insurance plan pays.

In some instances, your employer may oversee your HSA. You may also have an HSA through a bank, insurance company or other financial institution.

## ► DOES ENROLLING IN MEDICARE AFFECT MY HSA?

Once enrolled in Medicare Part A and/or Part B, you can no longer contribute pre-tax dollars to your HSA. The month your Medicare begins, you should have your HSA contribution amounts suspended.

You may continue to withdraw funds from your HSA though to pay for medical expenses, such as deductibles, premiums, copayments, and coinsurances – with the exception of most supplement premiums. The funds will remain tax-free if used for qualified medical expenses only.



## ▶ SHOULD I DELAY ENROLLMENT IN MEDICARE TO CONTINUE CONTRIBUTIONS TO MY HSA?

### less than 20 employees:

If you work for an employer [with less than 20 employees](#), you should enroll in Medicare when first eligible, even though you will lose the tax advantages of your HSA. Since Medicare becomes the primary payer, if you do not enroll in Medicare before turning 65, claims may not be paid, and you may face financial penalties due to late enrollment.

### 20 or more employees:

Health coverage from an employer [with 20 or more employees](#) pays primary to Medicare, so you may be able to delay Part A and Part B and choose to continue contributing funds to your HSA.

**Note:** In either case, you have access to the [Part B Special Enrollment Period \(SEP\)](#) when you lose coverage or retire.

### Social Security retirement benefits may affect your HSA:

If you decide to delay Medicare enrollment because you are still working and would like to continue to contribute to your HSA, you must also delay collecting Social Security retirement benefits. If you have applied or are receiving Social Security benefits that automatically entitle you to Part A, you will not be able to continue to contribute to your HSA. Therefore, you should delay Social Security benefits and decline Part A if you would like to continue

contributing to your HSA.

Lastly, if you decide to delay Medicare enrollment, be sure to stop HSA contributions at least six months before you do plan to enroll in Medicare. This is important because when you enroll in Medicare Part A, you will receive up to six months of retroactive coverage but not going back farther than your initial month of eligibility. If you do not stop HSA contributions at least six months before Medicare enrollment, you may incur a tax penalty.

## ▶ CAN I CONTRIBUTE TO MY SPOUSE'S HSA WHEN ENROLLED IN MEDICARE?

If your spouse is HSA-eligible and has an HSA, you can contribute to their HSA. Your enrollment in Medicare does not affect their ability to contribute or accept contributions from others to their HSA.

You may contribute personal funds, either through post-tax payroll by setting up a payroll deduction to send money directly to your spouse's HSA or by making direct payments with personal funds. Your spouse then deducts these contributions on their personal income tax return, or if you're filing jointly, it would be deducted on the joint tax return.

**For more information and guidance, contact:**

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