

Medicare & Health Savings Accounts



General Information

You cannot be enrolled in Medicare (or any other non-QHD health plan) and contribute to a Health Savings Account (HSA)

Eligibility for Medicare at age 65 and enrollment in Medicare are two different things. Enrolling in Medicare is when you can no longer contribute to an HSA. Being enrolled in Medicare simply means having a Medicare A or B card. It doesn't matter if you have had any Medicare claims.

Your SPOUSE'S enrollment in Medicare does not affect YOUR ability to open and contribute to a HSA.

You can also use the funds in your HSA for your spouse's out-of-pocket costs regardless of their enrollment in Medicare.

My Scenario

NOT yet 65, and NOT enrolled in Medicare

You do NOT automatically have to enroll at 65 in Medicare Part A (Hospital), which is free for most people.

If enrolled in an employer health plan, you will NOT be penalized for enrolling in Medicare late. You may need to actively inform Medicare that you do NOT want to be enrolled in Medicare Part A when you turn 65.

If this is your situation

You are not limited by Medicare. You can elect the QHD Plan, and contribute as much as the 2022 maximum of \$3,650 Single/ \$7,300 Family (enrolled as more than 1 person). You can also contribute \$1,000 catch up, if you are 55 or over any time during the 2022 calendar year.

ALMOST 65, and considering enrolling in Medicare

Enrolling in Medicare means that you can no longer contribute to your HSA. If you elect the QHD Plan in 2022, and enroll in Medicare in 2022, you need to stop contributing to the HSA as soon as you are enrolled in Medicare. You also cannot contribute more than a pro rata portion of the HSA Maximum during the months that you were eligible.

Example: If you enroll in Medicare effective July 2022, you can only contribute to your HSA through June, but cannot contribute more than 6/12 (one half) of the annual maximums.

If you enroll in Medicare, you are no longer eligible to receive employer contributions to your HSA.

65 and NOT enrolled in Medicare, and NOT planning to enroll in Medicare during 2022

You are free to contribute to your HSA account without penalty, assuming the other rules are followed. You can contribute as much as the maximum \$3,650 Single/\$7,300 Family (enrolled as more than 1 person). You can also contribute \$1,000 catch up, since you are over 55. If your spouse is also over 55, and follows all the rules to open and contribute to an HSA, he/she can open his/her own HSA and contribute the \$1,000 catch up. You and your spouse can split the \$7,300 family maximum however you would like between the two accounts.

OVER 65, NOT enrolled in Medicare, but considering enrolling in Medicare during 2022

Your enrollment in Medicare will be retroactive 6 months prior to the effective date (but not before your 65th birthday). Because of this retroactive coverage by Medicare, you should stop contributing to your HSA 6 months before your enrollment (up to your 65th birthday).

Example:

You are age 67 and planning to retire. You are planning to enroll in Medicare on October 1, 2022. Your retroactive coverage will be back to April 1, 2022. You are then only allowed to contribute to your HSA for Jan-March 2022, and have 3/12 of the annual maximum (& catch up) contributed during that time.

Your maximum:

$$\$3,650 + \$1,000 = \$4,650 * 3/12 = \$1,162.50$$

OVER 65, and already enrolled in Medicare

If enrolled in Medicare and QHD plan and mistakenly made contributions to an HSA

Take corrective action prior to the tax filing deadline. If possible, correct before year end, as it will be much simpler.

If excess contributions are removed prior to tax day, you will not pay a penalty (only regular taxes). After tax day, a 6% penalty (and possibly a 20% penalty) applies. The 6% penalty will be charged annually until the excess contributions are removed.

You must remove all funds (or funds over the allowable partial year eligible funds) from your HSA and pay taxes on them.

Steps to correct ineligible/excess contributions

Contact HR to have your voluntary HSA payroll deductions stopped ASAP.

Check your account balance. Determine the amount of any deductions from your account (to pay for out of pocket costs) from excess contributions. These will need to be paid back to your HSA account. Contact the HSA administrator that holds your account and determine the procedure to correct your ineligible contributions.