RetireMed

Health Savings Accounts & Medicare

As you approach age 65, it is important to understand how your eligibility for Medicare may impact your Health Savings Account (HSA). Due to IRS rules, once you enroll in Medicare you are no longer allowed to contribute to an HSA.

Am I eligible for a Health Savings Account (HSA)?

No. Health Savings Accounts (HSAs) are accounts for individuals with high-deductible health plans (HDHPs). Funds contributed to an HSA are not taxed when put into the HSA or when taken out if they are used to pay for qualified medical expenses. You cannot set up or contribute to an HSA in any month that you are enrolled in Medicare.

Can I spend from my HSA if I'm enrolled in Medicare?

Yes. Even after contributions to your HSA have ended, you may continue to withdraw money from your HSA after you enroll in Medicare. Your HSA can be used to help pay for medical expenses, such as deductibles, Part B premiums, prescriptions, co-payments, and coinsurances. If you use the account for qualified medical expenses, funds will continue to be tax-free.

What happens if I did contribute to my HSA while enrolled in Medicare?

Medicare beneficiaries who continue to contribute funds to an HSA may face IRS penalties. This does not mean you need to delay your Medicare start day. RetireMed is here to help explain the steps needed to get back on track.

What if I need more information?

If you have any questions about this process, we recommend you reach out to RetireMed.

HSA circumstances are individual depending on your situation. We highly recommend connecting with an advisor at RetireMed to cover your personal situation.

RetireMed is your no-cost resource for Medicare guidance.

866.600.4266
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When to Stop Contributions FAQ

I will be eligible for Medicare this year and plan to enroll in Medicare when I turn 65. Can I keep contributing to my HSA once I begin Medicare?

No. Neither you nor your company can contribute once you enroll in Medicare Part A and/or B. Contributions may be made up until your 65th birthday month.

Example: George is turning 65 in October. He has decided to begin Medicare in October – the last month for HSA contributions will be September. He will be eligible for nine out of twelve months of contributions – 75% of his annual limit. He cannot contribute his annual limit in September; it must be prorated.

I will be eligible for Medicare this year but do not plan to enroll until I retire. I will remain on my employer's HDHP until that time. Can I keep contributing to my HSA?

Yes. If you are eligible for Medicare but do not enroll, you can continue to contribute to your HSA. Once you enroll in any part of Medicare, you nor your company will be eligible to contribute to your HSA. Contributions must end six months prior to the date you apply for Medicare. The six-month rule only applies to those who are over 65.

Example: Sue is turning 65 in May. After a call to RetireMed and an expert comparison of her employer HDHP and Medicare, she has decided to delay her Medicare until she retires at the age of 68. The last date for HSA contributions will be six months before the date she applies for Medicare. If she does not stop HSA contributions at least six months before Medicare application date, she may incur a tax penalty.

What if I am receiving Social Security benefits and on my employer's HDHP, can I continue to contribute to my HSA?

No. For those receiving Social Security benefits prior to age 65, you will be automatically enrolled in Medicare Part A and Part B to begin your 65th birthday month. While you can disenroll from Part B, you cannot disenroll from Part A. If you enroll in Medicare Part A and/or B, you can no longer contribute to your HSA.

Example: Jayne is turning 65 in August. She works full-time, is on her employer's HDHP, contributes to her HSA, and receives her Social Security benefits. She will be automatically enrolled in Medicare Part A and Part B. She can disenroll from Part B, but she must keep Part A. After a call to RetireMed and an expert comparison of her employer HDHP and Medicare, if she decides to stay on her employer's HDHP, there can be no contributions to her HSA. Contributions must end the month prior to her 65th birthday.

What if I am covered under my spouse's HDHP?

The IRS rule affects only employees age 65 or older who have HSAs through their employment, because they are the ones who contribute to the HSA from their before-tax earnings at work. The rule does not affect covered spouses over age 65 on Medicare.

Example: Steve is turning 65 in February. He is on his spouse's employer's HDHP. He has decided to begin his Medicare in February and no longer be on the employer's HDHP. His spouse will continue on the employer HDHP. The spouse can continue to contribute to the HSA until they begin Medicare.