HSAs and Medicare

A Medicare Scholar Presentation

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What is an HSA?

- Health Savings Accounts (HSAs) are for individuals and families with a qualifying high-deductible health plan
- Funds that are in an HSA are not taxed, either when contributing to the account or using them to pay for qualified medical expenses

What is an HSA?

There are limits to how much money can be deposited into the account each year:

- $3,850 for individuals in 2023
- $7,750 for families in 2023
- Those that are 55 and older can contribute an additional $1,000 as a catch-up contribution

HSA-Eligible Health Plans

In 2023, an HSA-eligible high-deductible health plan must have:

- A minimum deductible of $1,500 for individual coverage
- A minimum deductible of $3,000 for family coverage
- A maximum out-of-pocket limit of $7,500 or less for individual coverage
- A maximum out-of-pocket limit of $15,000 or less for family coverage

HSA Contribution Eligibility

To contribute to an HSA, you must:

- Be enrolled in an HSA-eligible health plan
- Not enrolled in a low-deductible health plan or a flexible spending account (FSA)
- Not claimed as a dependent on someone else’s tax return
- <u>Not enrolled in Medicare</u>

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Medicare & HSA Contributions

- If you enroll in either Medicare Part A and/or Part B, you can no longer contribute pre-tax dollars to the HSA
- If you contribute to your HSA pre-tax after any part of Medicare begins, you will be responsible for reporting those as “excess contributions” on your taxes and will be subject to a 6% excise tax charge

Delaying Medicare

- If you choose to delay your Medicare coverage in order to continue to contribute to an HSA, you'll also have to delay receiving your Social Security benefits
- If you're receiving Social Security benefits, Medicare Part A is mandatory
- For example: to continue your high-deductible health plan coverage through your or your spouse's current employer and HSA contributions, you will need to delay Part A, Part B and your Social Security benefits

Delaying Medicare

- When you’re ready to enroll in Medicare (either due to loss of employment or coverage) you will need to stop contributing to your HSA at least:
  - 6 months prior to signing up for any part of Medicare, or
  - The month you turn 65, if later
- This is caused by Medicare retroactively making your Part A benefits effective 6 months from the month you sign up for benefits, but no earlier than your 65th birthday month

Using HSA Funds with Medicare

You can continue to withdraw money from your HSA after Medicare begins to pay for qualified medical expenses, including:

- Part B premiums, deductibles, copays and coinsurance
- Part D premiums, deductibles, copays and coinsurance
- Medicare Advantage premiums, deductibles, copays and coinsurance

NOTE: HSA funds cannot be used to pay for Medigap premiums

Getting Ready for Medicare

- As you approach Medicare eligibility, make sure you notify your employer to terminate your HSA contributions the month you turn 65 if you plan to start your Medicare and/or Social Security benefits right away
- If you have chosen to delay Medicare and your Social Security benefits, stop any HSA contributions at least 6 months prior to signing up for benefits, but no earlier than the month you turn 65

Questions?

Thank you for attending!

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Sources

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