



Medicare and HSA - Health Savings Accounts

Health Savings Account (HSA) are accounts for individuals (and optionally, a spouse or dependent) used with a high deductible health plan and offered by some employers as a health insurance option. The employer and employee may make contributions to the HSA tax-free as long as the funds in the account are used to pay for qualified medical expenses.

Enrolling in Medicare when you have a HSA

If you have a HSA and will soon be eligible for Medicare, it is important to understand how enrolling in Medicare will affect your HSA.

Once you enroll in Medicare Part A and/or Part B, you and your employer can no longer contribute to your HSA. The month your Medicare begins, the administrator of your HSA account should change your contribution to zero dollars per month. Your spouse enrolling in Medicare does not affect you or your employer's contribution to the HSA.

HSA Distributions

You may continue to withdraw money from your HSA tax-free after you enroll in Medicare to help pay for qualified medical expenses such as:

- Medicare Part A and Part B premiums, deductibles, copayments, and coinsurances, this includes Medicare Advantage and Medicare drug plan premiums
- Your share of retiree medical insurance premiums
- Qualified Long-Term Care Insurance premiums
- COBRA
- CARES Act of 2020 allows HSA funds to be used for over-the-counter medicines (prescribed or not prescribed) and menstrual care products purchased after 2019

You cannot use your HSA to pay your Medicare supplement premiums.

Delaying Medicare enrollment after you turn age 65

If you continue to work past age 65 and you want to continue to contribute to your HSA, there are important things to be considered.

- You will need to wait to collect Social Security retirement benefits because once you sign up for Social Security your enrollment in Part A will automatically occur. There is no way to delay it.
- While actively working, you will want to delay enrolling in Part A or you will lose your ability to contribute to your HSA. There is no penalty for delaying enrollment in Part A for people who are entitled to premium-free Part A. You also need to delay enrolling in Part B.
- If you qualify for premium-free Part A, when you decide to enroll in Part A later, Social Security will backdate the enrollment date by 6 months (but no earlier than your 65th birthday.) You cannot stop Social Security from doing this. Any contributions made to your HSA during this retroactive period of coverage may be subject to a tax penalty. To prevent any penalty you should stop making contributions to your HSA six months before you enroll in Part A and Part B. You should discuss your options with the administrator of your HSA or consult your tax professional at least six months before you retire.

How to contact SHIIP:

Call SHIIP at **1-800-351-4664** (TTY 1-800-735-2942) with your Medicare and health insurance questions. SHIIP is a service of the State of Iowa Insurance Division. Our counseling is free, confidential, and objective.

Specific questions about your HSA should be directed to the Administrator of your HSA or your employer benefits department.

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