



HSAs and Medicare

A Health Savings Account (HSA) is a tax-advantaged savings account designed to help individuals save for medical expenses. You can contribute pre-tax dollars to an HSA, and the funds can be used for a wide range of healthcare costs.

However, when it comes to Medicare, the rules change a bit.

Once you enroll in Medicare, you can no longer contribute to your HSA. The good news is that you can still use the existing funds in your HSA to pay for qualifying medical expenses, including those not covered by Medicare. Just keep in mind that you'll need to plan your contributions carefully as you approach Medicare eligibility so that there's no penalty.

Let's learn more.

What should I consider about my HSA as I approach Medicare eligibility?

As you draw closer to age 65 and the eligibility for Medicare, it's crucial to understand a couple of key aspects regarding your Health Savings Account (HSA). First, while you can continue to use funds from your HSA, you need to cease making contributions to the account during any month you're enrolled in Medicare.

To steer clear of possible tax penalties, it's recommended to halt contributions to your HSA about six months before you apply for Social Security retirement benefits. Once you enroll in Social Security, and if you're already six months beyond your full retirement age, your enrollment in Medicare Part A will be retroactively applied for those six months.

This backdating could incur tax penalties on any contributions made to your HSA during that period. Understanding these nuances can help you manage your finances better during this transition phase.

Can I use my HSA to pay for Medicare premiums?

Yes, one of the perks of having an HSA is that you can use the funds to pay for certain Medicare premiums. Specifically, you can use your HSA to cover Medicare Part B, Part D, and Medicare Advantage premiums. Unfortunately, this doesn't extend to Medigap or Medicare Supplement Insurance premiums. It's a great advantage since it allows you to use your HSA savings to reduce your out-of-pocket costs during retirement.

You can also use your HSA to pay a portion of eligible long-term care insurance. Check with your carrier to see if your policy is tax-qualified.

Will my Medicare eligibility affect my HSA?

If you've enrolled in Medicare, it can affect your ability to contribute to your health savings account (HSA). That's because Medicare doesn't have an HSA-eligible option, so you can't *make contributions* to an HSA, even if you have another health plan.

Do I lose my HSA eligibility when I turn 65?

Absolutely not. You can open an HSA and contribute to it at 65 and beyond, as long as you meet the HSA eligibility requirements. These include being covered by an HSA-qualified medical plan, not being claimed as a dependent on someone else's tax return, and not having conflicting coverage like Medicare.

Is enrolling in Medicare Part A automatic when I turn 65?

No. You're automatically enrolled in Part A only if you're 65 or older and receiving social security or railroad retirement benefits. However, if you're collecting social security disability benefits or have been diagnosed with ALS, you're automatically enrolled in Parts A and B. If not, you would need to sign up to get Medicare coverage.

Can my spouse open an HSA if I'm enrolled in Medicare?

Yes, they can, as long as they meet other HSA-eligibility requirements. This way, you or your spouse can still make tax-deductible contributions to your HSA up to the family maximum.

Can I still contribute to my HSA after enrolling in Medicare?

No, you can only contribute for the months before you enrolled in Medicare. But the good news is, if your spouse is HSA-eligible and has an HSA, you — or anyone else — can contribute to their HSA.

Can I make tax-free withdrawals from my HSA for qualified medical expenses even if I'm not HSA-eligible?

Absolutely. You can withdraw funds tax-free for qualified medical expenses anytime you have a balance in your account. Remember, this includes all qualified medical out-of-pocket expenses not reimbursed by insurance or other sources.

If I pass away before my spouse, can my HSA continue to cover their medical expenses tax-free?

If you've made your spouse the beneficiary of your HSA, then yes. Upon your death, your HSA will pass to your spouse with all balances and tax benefits preserved. Will I be penalized if I defer my Medicare enrollment when I'm first eligible? We recommend updating your beneficiary in the MyChoice Accounts portal or submitting the [form to UMB](#) to designate that.

Will I be penalized if I defer my Medicare enrollment when I'm first eligible?

Potentially. You might face tax consequences if you delay enrolling in Medicare around your 65th birthday when you're entitled to an Initial Enrollment Period. It's recommended to discuss this with your financial advisor.

Given the potential penalties, should I enroll in Parts B and D when I'm first eligible and stop contributing to my HSA?

This kind of decision should be discussed with your financial advisor. But keep in mind the current costs of remaining on your employer's plan without enrolling in Medicare, the differences in benefits covered, financial responsibilities, tax advantages, financial implications of penalties and your future enrollment plans.

Learn more about Medicare at [Medicare.gov](https://www.Medicare.gov) or review the Social Security [Medicare information site](#).

This FAQ is for informational purposes only and doesn't replace professional advice. Always consult your personal legal, financial, or tax counsel to discuss your personal situation.

