



## HSAs & Medicare:

Everything you need to know about eligibility, contributions, distributions, and delaying enrollment.

Millions of Americans possess Health Savings Accounts (HSAs), and many of those accountholders become eligible for Medicare at age 65, some earlier. However, to open and contribute to an HSA, you cannot be enrolled in Medicare. This complicated intersection between these two programs controlled by different federal agencies (Department of the Treasury for HSAs & The Department of Health and Human Services for Medicare) becomes even more confusing for accountholders when new legislation is passed down.

We've compiled some frequently asked questions to help you navigate the confusing intersection between your HSA and Medicare.



## Eligibility

### 1. Once I turn 65, am I excluded from opening or contributing to an HSA?

No, as long as you meet the eligibility requirements, you can still open and contribute to an HSA.

- Must be covered under an HSA-qualified High-Deductible Health Plan (HDHP)
- Cannot be claimed as a dependent on someone else's tax return
- Not enrolled in Medicare
- Have no other medical coverage

Specifically turning age 65 does not exclude you from opening and contributing to an HSA, as long as the other requirements are met.

### 2. How does enrollment in Medicare impact my HSA eligibility?

If you're enrolled in Medicare, you cannot open or contribute to an HSA, even if you possessed the account prior to enrollment. You cannot make contributions at any time after you enroll in any part of Medicare, even if you're covered on an HSA-qualified plan.

### 3. I'm not HSA eligible. Can I still enroll in my employer's HSA-qualified plan?

Yes, the eligibility only refers to your ability to open and contribute to the HSA. It does not exclude you from enrolling into an HDHP as long as you meet your employer's and the insurer's eligibility requirements.

### 4. I thought I was automatically enrolled in Medicare Part A at age 65?

Not necessarily. You're enrolled in Part A (inpatient services) automatically only if you're 65 or older and receiving Social Security or Railroad Retirement benefits. You're enrolled automatically in both Part A and Part B (outpatient services) only if you're collecting Social Security disability benefits or have been diagnosed with ALS (Lou Gehrig's Disease). In any other case, you must sign up to receive coverage through Medicare.

### 5. My spouse and I are enrolled on my employer's HSA-qualified plan. If I enroll in Medicare, can my spouse still open an HSA?

Yes, your spouse is eligible. You do not have to be the medical plan subscriber to be eligible for an HSA. You and your spouse can make tax-deductible contributions to the HSA up to the family maximum if you're covered with a HSA family plan (even if only your spouse has HSA eligibility). This is a way many couples use to continue building income tax-free balances for distributions once retired, even several years after the older spouse has enrolled in Medicare.

## Contributions

### 1. I'm now enrolled in Medicare. Can I contribute to my HSA?

No, one of the main eligibility requirements for an HSA is to not be enrolled in Medicare. Once enrolled, you still own the account, but you cannot make additional contributions.

### 2. My spouse has an HSA, but I am enrolled in Medicare and no longer HSA eligible. Can I still contribute to their HSA?

Yes, you can still make contributions to your spouse's HSA even if you're enrolled in Medicare. Your enrollment in Medicare does not exclude your spouse from making contributions on their own or accepting contributions from others into their HSA as long as the total does not exceed the annual contribution limits.

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## Distributions

### 1. I just became ineligible for my HSA. Can I still make income tax-free distributions for qualified medical expenses?

Yes, the eligibility solely refers to your ability to open or make contributions to the account. Once you open an HSA, you possess the account for life. As long as you still have a balance in your account, you can make income tax-free distributions.

### 2. Whose qualified medical expenses can be reimbursed income tax-free from my HSA?

You can reimburse qualified medical expenses for:

- You
- Your spouse
- Any tax dependents

The other family members don't need to be HSA eligible or even covered on your medical plan for you to make income tax-free distributions to pay for their qualified medical expenses.

### 3. Once enrolled in Medicare, which expenses can I reimburse from my HSA?

You can still reimburse all qualified out-of-pocket medical expenses that are not reimbursed by other insurance, like:

- Medical deductibles
- Copays
- Coinsurance
- Dental expenses
- Vision expenses
- OTC Medication
- RX Medication

You can also reimburse certain insurance premiums:

- Medicare Parts B and D
- Medicare Part C (Medicare Advantage Plans)

Keep in mind, you as the accountholder cannot reimburse your or anyone else's Medicare premiums income tax-free until you turn 65.

#### **4. I just turned age 65. Can I make income tax-free distributions from my HSA for non-qualified medical expenses?**

No, these distributions (for non-qualified expenses) will always be subject to income tax no matter your age. The only thing that changes when you turn 65 is that you can make these distributions for non-qualified medical expenses without the additional 20% tax penalty that you're subject to when making these distributions before turning 65.

#### **5. My spouse and I both have an HSA. Do distributions from our accounts have to be limited to our own individual expenses?**

No, distributions can be used for each other's expenses as long as you remain married.

#### **6. If I pass away first, can my spouse use my HSA for their qualified medical expenses income tax-free?**

When you enroll in an HSA, you name a beneficiary, and you can change that beneficiary at any time. If you name your spouse beneficiary, your HSA passes to your spouse along with the balance and tax advantages it possesses. Your spouse can then reimburse their own eligible expenses income tax-free. However, if you name someone other than your spouse as the beneficiary, the HSA is liquidated and the assets will pass to that person, who will likely incur a tax liability from the account. Beneficiaries other than a spouse do not obtain the tax benefits and are not constrained to the requirements of the account.

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## **More Information**

### **Medicare Enrollment**

Refer to **Medicare & You**, the official Medicare Handbook from **Medicare.gov**. You can also call the Social Security Administration Customer Service Center at 1-800-772-1213.

### **Avidia HSA**

For more on contribution limits, HSA eligibility, distributions, and other HSA-related information, visit **AvidiaHealth.com**, call 855.248.6311, or email us at **HSAinfo@avidiahealth.com**.

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