



Medicare, Social Security and Health Savings Accounts

—

November 2015

Today's Discussion

Medicare Basics

- What is Medicare?
- Medicare Parts A & B

Medicare Eligibility

Medicare & Health Savings Account (HSA) Rules

- Currently receiving Medicare & Social Security
- Spouse is enrolled in Medicare
- Receiving Medicare due to a disability
- Not yet Medicare eligible

Important Contact Information

What is Medicare?

Health insurance for the following:

- People 65 or older
- People under 65 with certain disabilities
- People of any age with End-Stage Renal Disease (ESRD) (permanent kidney failure requiring dialysis or a kidney transplant)

The different parts of Medicare help cover specific services

- **Part A** – Hospital insurance
- **Part B** – Medical insurance
- **Part C** – Medical Medicare Advantage Plans (like an HMO or PPO) – plans run by Medicare-approved private insurance companies. These plans include Part A, Part B, and usually other coverage Part D
- **Part D** – Prescription Drug coverage

Medicare Parts A & B

Part A:

- How much does it cost?
 - Most people don't pay a Part A premium, because they paid Medicare taxes while employed
- How do I Get Part A?
 - Most people automatically get Part A, upon reaching age of retirement or age 65, whichever is later
 - If you collect Social Security you automatically receive Part A

Part B:

- How much does it cost?
 - If you have Part B, you pay a Part B premium each month, this amount is deducted from your monthly Social Security benefits. Most people will pay the standard premium amount. The standard premium is \$104.90 per month for 2015. If your income is above a certain amount, the premium may be more
- How Do I Get Part B?
 - If you collect Social Security you automatically receive Part B
 - If you do NOT want Part B, you must dis-enroll following the instructions on your Medicare card

Eligibility

When can you sign up for Part A and Part B?

- When you are first eligible – You have a 7-month period that begins 3 months before you turn 65, includes month you turn 65, and ends 3 months after you turn 65
- Between January 1 – March 31 each year – If you didn't sign up when first eligible, you can sign up during this Open Enrollment period
- If you qualify for Special Enrollment period – If your coverage ends under a group plan; you have 8 months to enroll

When does my coverage start for Part A and B?

- If you enroll during 3 months before you turn 65 – coverage starts on the 1st day of your birthday month
- If you enroll the month you turn 65 – coverage starts 1 month after you sign up
- If you enroll 1, 2, or 3 months after you turn 65 – coverage starts 2 or 3 months after you sign up
- If you enroll during Open Enrollment period (January 1 – March 31) – coverage starts January 1

Eligibility - Definitions

Eligible for Medicare

- Means that you've met the requirements to qualify for Medicare Part A hospital insurance - in other words, you or your spouse has enough Social Security work credits - but you haven't yet applied for it

Entitled to Medicare

- Means that you're eligible, you've filed an application to receive Medicare Part A or have been approved automatically, and your name is already in the system - or that the application has been processed and you've been sent a Medicare card showing the date your coverage starts

Medicare and Health Savings Accounts Rules

- You can enroll in the Qualified High Deductible Health Plan regardless of Medicare eligibility, however you are ineligible to open and contribute to a Health Savings Account
- If you are enrolled in Medicare Part A and/or B you cannot open or contribute to an HSA
- According to the IRS and Center for Medicare Services (CMS) people with Medicare are not allowed to put money into an HSA. This is because you cannot have any health coverage other than an QHDHP if you are putting money into an HSA
- However, remember you may withdraw money from your HSA after you enroll in Medicare to help pay for medical expenses (deductibles, premiums, copays or coinsurances). If you use the account for qualified medical expenses, it will continue to be tax-free

Medicare and Health Savings Accounts Rules

- You cannot decline Medicare Part A
- An exception to this is if you're not accepting Social Security benefits. As long as you are not accepting Social Security benefits, you can choose to decline Part A, which allows you to open/contribute to a HSA
- If you're eligible for Medicare but have not filed an application for either Social Security retirement benefits or Medicare, you do not need to do anything. You can open/contribute to the HSA and postpone applying for Social Security and Medicare until you stop working. There is no penalty for this delay as long as you're covered by an employer's health plan
- If you're entitled to Medicare because you signed up for Part A at age 65 or later, but have not yet applied for Social Security retirement benefits, you can withdraw your application for Part A. (To do so, contact Social Security Administration at 1-800-772-1213) There are no penalties or repercussions and you are free to reapply for Part A at a future date. (If any claims have been paid by Medicare part A on your behalf, you would be required to pay those back.)

Medicare and Health Savings Accounts Rules

- If you have applied for, or are receiving, Social Security benefits - which automatically entitles you to Part A - you cannot open/contribute to an HSA
- The only way you could opt out of Part A is to pay back to the government all the money you've received in Social Security payments, plus everything Medicare has spent on your medical claims. You must repay these amounts before your application to drop out of Part A can be processed. If you take this action, you're no longer entitled to Social Security or Medicare - but you can reapply for both at any time in the future
- Contact the Social Security Administration to start this process

Receiving Medicare due to disability...

- You are ineligible to open a Health Savings Account, because you have Medicare
- The only way to open an HSA is to opt out of Part A:
 - Repay Social Security for all the disability payments you've received, even if you've never used Medicare for medical services
 - Repay Medicare for any services that you have used

Spouse is enrolled in Medicare

- As the employee, you are the HSA accountholder, therefore you are eligible to open and contribute to a Health Savings Account regardless if your spouse is enrolled in Medicare
- If your spouse is covered under Medicare and you are on the plan as an employee only, you can only contribute up to the single maximum contribution for 2016 of \$3,350 each year (combined employee and employer contribution). An additional \$1,000 catch-up contribution can be made if you are aged 55 or older. However, if your spouse is covered under the BMC plan AND by Medicare you can contribute up to the family maximum of \$6,750 for 2016

Not Medicare Eligible yet, but close!

- You can open and contribute up to the maximum + \$1,000 catch-up contribution to a Health Savings Account
- The month you enroll in Medicare (typically the month of your 65th birthday) you must stop contributing
- Whether you should delay enrollment in Medicare so you can continue contributing to your HSA depends on your circumstances. If you wish to decline Medicare Part B, you can do so and enroll in Part B later when you lose your current employer coverage – this is considered a Qualifying Event
- You need to be sure to stop all contributions to your HSA up to 6 months before you collect Social Security. When you apply for Social Security, Medicare Part A will be retroactive for up to 6 months (as long as you were eligible for Medicare during those 6 months). If you do not stop contributing to the HSA 6 months before you apply for Social Security, you may have a tax penalty. The penalty is because you were not supposed to put money into your HSA while you had Medicare
- At time of retirement you would need to call your local Social Security office

Important Contact Information

Center for Medicare Services (CMS)

- www.cms.gov

Medicare

- 1-800-633-4227
- www.medicare.gov

Social Security Administration

- 1-800-772-1213
- www.ssa.gov

Disclaimer: This presentation is for informational purposes only. Please consult your financial or tax advisor if you have any questions. You may also contact the Social Security Administration or Center for Medicare Services



© copyright 2015 BMC Software, Inc.