



2020 Medicare, Social Security & HSAs

U.S. Employees

BMC Corporate Benefits



Today's Topics

Medicare Basics

- What is Medicare?
- Medicare Parts A & B

Medicare Eligibility

Medicare & Health Savings Account (HSA) Rules

- Currently enrolled in Medicare and/or receiving Social Security benefits
- 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) or ALS (Lou Gehrig's disease).

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 \$135.50 per month for 2019. This is projected to increase to \$144.30/month for 2020. 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 – 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 the 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
 - If you plan to continue working past your 65th birthday, you can delay enrollment in Medicare until you retire

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 July 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 Account Rules

- You can enroll in the **Qualified High Deductible Health Plan (QHDHP)** regardless of Medicare eligibility, however you are ineligible to open and contribute to a Health Savings Account if you are enrolled in any aspect of Medicare
 - BMC's HAS compatible plan is a QHDHP
- 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 Account Rules

- You cannot decline Medicare Part A if you are receiving Social Security benefits
- 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 and reapply at a later date. For additional information about this option contact the Social Security Administration at 1-800-772-1213

Medicare and Health Savings Account 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 in the future
- Contact the Social Security Administration for more information.

Medicare and Health Savings Account Rules

- Beginning the first month you enroll in Medicare your HSA contribution limit is zero.
 - If you enroll in Medicare during the year, your HSA contribution limit is pro-rated.
 - **For example:** You turned age 65 in July 2019 and enrolled in Medicare. You were enrolled in self-only coverage and were eligible for an additional contribution of \$1,000. Your contribution limit for 2019 would have been \$2,250 ($\$4,500 \times 6 \div 12$)
- This rule applies to periods of retroactive Medicare coverage, so if you delayed enrolling in or applying to Medicare and later your enrollment is back dated, **any contributions made during the period of retroactive coverage are considered excess.**
- If you are over age 65 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 for the excess contributions. The penalty is because you were not supposed to put money into your HSA while you had Medicare.

If You Are 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
 - **See slide 8**

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 of \$3,500 for 2019 or \$3,550 for 2020. However, if your spouse is covered under the BMC plan AND by Medicare you can contribute up to the family maximum of \$7,000 for 2019, or \$7,100 for 2020. These limits include both employee and employer contributions.
- An additional \$1,000 catch-up contribution can be made if you are aged 55 or older.

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 to your HSA
 - Since changes to your HSA are effective the 1st of the following month, you will need make changes to stop your contributions the month prior to your 65th birthday
 - If you plan delay your application for Social Security benefits past age 65, remember that Medicare coverage will be retroactive up to 6 months prior to the date you become entitled to Social Security. This means you need to stop your HSA contributions up to 7 months prior to receiving your Social Security benefits.
- 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, you can do so and enroll later when you lose your current employer coverage – this is considered a Qualifying Event
- As you prepare for 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

AARP FAQ

- http://www.aarp.org/health/medicare-insurance/info-04-2009/ask_ms_medicare_question_53.html

IRS Pub 969 – HSAs & Other Tax-Favored Health Plans

- <https://www.irs.gov/pub/irs-pdf/p969.pdf>

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

Questions?



2020 Annual Enrollment

Nov. 4 – Nov. 15

Thank You

