

Medicare and Health Savings Accounts

Frequently Asked Questions

1. How does turning age 65 impact Health Savings Account (HSA) eligibility?

When you turn age 65, you can continue to participate in an HSA as long as you are not *entitled* to or enrolled in Medicare:

Eligible for Medicare: you have met the requirements to qualify for Medicare Part A (hospital insurance). In other words, you have enough Social Security work credits, but you haven't yet applied for it

Entitled to/Enrolled in Medicare: you're eligible, you've applied to receive Medicare Part A or were approved automatically, and your name is already in the system. It also means that Medicare processed your application and sent you a Medicare card showing the date your coverage starts.

You can open and contribute to an HSA at age 65 or later as long as you meet HSA eligibility requirements:

- You're covered by the BMC HSA Medical Plan.
- You're not someone's tax dependent.
- You don't have any conflicting coverage (including Medicare).

2. I signed up for Medicare Part A, but I want to continue contributing to my HSA. What are my options?

If you have applied for or are receiving Social Security, which automatically entitle you to Part A, you cannot continue to contribute to your 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 (for example, if you end or lose your HSA coverage.)

If you're entitled to Medicare because you signed up for Part A at age 65 or later (perhaps not realizing that it can affect the use of your HSA) but have not yet applied for Social Security retirement benefits, you can withdraw your application for Part A. (To do so, contact the Social Security Administration at 800-772-1213.) There are no penalties or repercussions, and you are free to reapply to Part A at any future date.

3. I will be eligible for Medicare this year but do not plan to enroll until I retire. I will remain on BMC's medical coverage until that time. Can I keep contributing to my HSA?

Yes. If you're eligible for Medicare but do not enroll, you can continue to contribute to your HSA. Once you enroll in any part of Medicare, including Part A, you will no longer be eligible to add money to your HSA.

4. Does enrollment in Medicare impact my HSA eligibility?

Yes. Medicare doesn't offer an HSA-qualified medical plan option. You can't make contributions to your HSA for any months after you are enrolled in any part of Medicare, even if you continue coverage under the BMC HSA Medical Plan.

5. If my spouse and I covered under the BMC HSA Medical Plan, and I enroll in Medicare, can my spouse open an HSA?

Yes, if your spouse is eligible. HSA eligibility refers to your ability to open and contribute to an HSA, not whether or not you can enroll in a medical plan. You and your spouse can make tax-deductible contributions into his or her HSA, up to the family maximum if you continue family coverage on the BMC HSA Medical Plan (even if only your spouse is HSA-eligible). This feature allows a couple to continue to contribute to an HSA for several years after the older spouse enrolls in Medicare.

6. Can I enroll in the BMC HSA Medical Plan if I'm not HSA-eligible?

Yes. HSA eligibility refers to your ability to open and contribute to an HSA, not whether or not you can enroll in a medical plan. As long as you meet BMC's benefits eligibility requirements, you can enroll in the BMC HSA Medical Plan. If you're not HSA-eligible, though, you can't open and contribute to an HSA. BMC offers you the option to participate in a Limited Purpose Flexible Spending Account (FSA).

A Limited Purpose FSA gives you the option to use before-tax money to pay for health care expenses. You can use your Limited Purpose FSA for eligible dental and vision expenses before you meet your medical plan deductible. Once you reach your deductible, you may use your Limited Purpose FSA for all qualified health care expenses.

7. Can I continue to contribute to my HSA if Medicare covers me?

No. You lose HSA eligibility once you enroll in Medicare, so you can't make additional contributions. You can continue to contribute for months that you were eligible before you enrolled in Medicare. For example, if your 65th birthday is September 6, and you enroll in Medicare immediately, your effective date of Medicare coverage is September 1. You can make contributions for January through August, even though you may not be HSA-eligible at the time that you make your retroactive contributions for those months. You can make retroactive contributions up until you file your income tax return for the year you turn 65.

8. What are the consequences of contributing funds to my HSA while enrolled in Medicare?

Medicare beneficiaries who continue to contribute funds to an HSA may face IRS penalties, including payment of back taxes on their tax-free contributions and account interest, excise taxes, and additional income taxes.

9. Can I contribute to my spouse's HSA if I'm enrolled in Medicare and no longer HSA-eligible?

Yes, if your spouse is HSA-eligible and has an HSA, you — or anyone else — can contribute to her HSA. Your spouse then deducts these contributions on her (or if you're filing jointly, your joint) personal income tax return.

10. I am 65 years old and enrolled in Medicare. I know I can't contribute to my HSA, but can I use my existing balance to pay for qualified medical expenses?

Yes. Even though you are no longer eligible to contribute to your health savings account (HSA), you can still use the existing balance to pay for [qualified medical expenses](#), such as deductibles, premiums, copayments, and coinsurances. The IRS definition of qualified medical expenses includes Medicare premiums and copays, providing a valuable way to Medicare beneficiaries to make use of their unused HSA funds. See [IRS Publication 969](#) for details.

11. The decisions and rules regarding Medicare are complicated. If I retire from BMC at age 65, how do I know what Medicare options are best for me and my family?

BMC retirees age 65 and better are offered enrollment in a Medicare plan of their choice through Via Benefits. Via Benefits is the nation's largest Medicare marketplace, through Fidelity, retirees can choose from Medicare Advantage Plans, Medicare Supplement Plans, and Part D Drug plans. Via Benefits provides retirees and their eligible spouses with free advisory services to help them make informed decisions and enroll in the plan of their choice that best matches their needs, along with providing ongoing support.