

Medicare Coverage and your Health Savings Account

It has come to our attention that some of our Medicare eligible employees may need to adjust their HSA contributions for 2016 and may not be eligible to receive the employer contribution for 2016. Please see the information below and notify Dana Hart of your Medicare status by November 2, 2015.

Per IRS Publication 969 - Health Savings Accounts and Other Tax-Favored Health Plans

Qualifying for an HSA: To be an eligible individual and qualify for an HSA, you must meet the following requirements.

- You must be covered under a high deductible health plan (HDHP), described later, on the first day of the month.
- You have no other health coverage except what is permitted under *Other health coverage*.
- You are not enrolled in Medicare.
- You cannot be claimed as a dependent on someone else's 2014 tax return.

Do I need to enroll in Medicare A & B?

From www.mymedicareanswers.com - Health care coverage from large (20 or more employees) current employers pays primary before Medicare so you may not need to have Medicare in order to pay your health expenses. This means that if you are currently working for a large employer and you wish to decline Medicare Part B, you can do so and enroll in Part B later when you lose your current employer coverage. However, 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 also, which preserves your HSA tax benefit. As soon as you want to stop contributing to the HSA (and are if you are still currently working) you can enroll in Part A and get 6 months of retroactive coverage. Remember that if you delay enrollment in Medicare when you are first eligible, you must enroll when you lose your current employer coverage.

If you are collecting Social Security retirement benefits when you become eligible for Medicare, you will be automatically enrolled in Medicare Part A and Part B. If you are not collecting Social Security retirement benefits when you become eligible for Medicare, you must actively enroll yourself during your initial enrollment period. You can actively enroll by calling your local Social Security office. Whether you are enrolled in Part A and Part B automatically or you enroll yourself, you cannot continue to contribute to an HSA once you have Medicare.

Importantly, if you do not take Medicare when you first qualify, you must take special precautions if and when you do decide to collect Social Security benefits (either while working or when you retire). You need to be sure to stop all contributions to your HSA up to six months before you collect Social Security. This is because when you apply for Social Security, Medicare Part A will be retroactive for up to six months (as long as you were eligible for Medicare during those six months). If you do not stop contributing the six 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.

For example – If you are turning 65 and will continue to work for a large group employer you can delay Medicare Part B enrollment. Since you are not receiving Social Security retirement benefits, you have the option to also delay enrollment to Medicare Part A. You will have to enroll in Medicare Part A and B upon loss of coverage from your employer group plan, and must do so during a special enrollment period.

For more information check these websites and publications:

<https://www.mymedicareanswers.com/community/news/blog/2015/03/02/health-savings-accounts-hsas-and-medicare#sthash.ymOd4a54.dpuf>

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

http://www.medicareinteractive.org/page2.php?topic=counselor&page=script&script_id=1726