

Medicare and Health Savings Accounts



What is a Health Savings Account?

A Health Savings Account (HSA) is a tax-advantaged medical savings account available to taxpayers in the United States enrolled in a high-deductible health plan (HDHP). The funds contributed to an HSA are not subject to federal income tax at the time of deposit.



Can I contribute to my HSA after I enroll in Medicare?

No, you can no longer contribute to your HSA after you enroll in Medicare. This is because Medicare, including Original Medicare, Supplemental coverage, or Advantage plans, does not qualify as a high-deductible health plan, and you must be enrolled in an HDHP to contribute to an HSA. Once you enroll in any part of Medicare, including Parts A or B, you are no longer eligible to make HSA contributions.



Can I be enrolled in Medicare and use an HSA?

While you can be enrolled in Medicare and have an HSA, you cannot contribute after you have enrolled in Medicare. If you have funds available in your HSA, you can use them to pay for qualified medical expenses, even after you enroll in Medicare.



Can I still use the money in my HSA after I enroll in Medicare?

Generally, yes, you can still use the money in your HSA to pay for qualified medical expenses, even after you enroll in Medicare. However, you will no longer be able to deduct your contributions to your HSA on your federal income taxes.



If I enroll in Medicare, should I close my HSA?

Generally, you do not need to close your HSA if you enroll in Medicare. You can keep your HSA open and continue to use it to pay for qualified medical expenses. However, you will no longer be able to contribute to it.



What happens to the money in my HSA if I enroll in Medicare and am no longer eligible to contribute to it?

In most instances, the money is yours once you have contributed funds to an HSA. You can continue using it to pay for qualified medical expenses and even withdraw funds for non-qualified expenses. However, any funds withdrawn for non-qualified expenses will be subject to income tax based on the tax bracket you fall into, and if you are under age 65, you will be assessed a 20% penalty.



I have a spouse who is not enrolled in Medicare. Can they still contribute to an HSA?

Yes, your spouse not enrolled in Medicare can contribute to an HSA even if you are. They can even use the funds to help pay for your medical expenses not covered by Medicare. However, they cannot list any contributions as deductions on their federal income taxes.



I am enrolled in Medicare. Can I open a new HSA?

No, you cannot open a new HSA if you are enrolled in Medicare. You can only open a new account if you are covered through a high-deductible health plan.



Who should I contact if I have specific questions about how Medicare will affect my HSA?

For specific questions about how your Medicare coverage will impact your HSA, contact your HSA administrator or a tax professional.



I intend to apply for Medicare **before** my 65th birthday.

You can contribute to an HSA **up to the month before** your Medicare is effective.

To avoid tax penalties, make your last HSA contribution **the month before** your Part A coverage begins.



I intend to apply for Medicare **after** my 65th birthday.

Stop all contributions to your HSA up to **six months before** your Medicare is effective.

Avoid tax penalties by stopping HSA contributions **six months before** the month you apply for Medicare.

Nothing herein is intended as tax or financial advice. We suggest that you contact a tax professional or financial advisor for tax and/or financial advice.