Learn about your HSA and Medicare

Your team at Inspira Financial can help answer all your questions about how your HSA works with Medicare. Here are some of the basics to get you started.

Can I have an HSA and Medicare?

- You aren’t eligible to enroll in or contribute to an HSA if you’re enrolled in Medicare.
- If you had an existing HSA when you enrolled in Medicare, you can still use your HSA funds to pay for eligible expenses for yourself, your spouse, and/or tax dependents.
- You can no longer make or receive contributions to the HSA on or after the date of your enrollment in Medicare.

If my spouse is enrolled in Medicare and I’m not, can I have an HSA?

Yes. If you’re eligible to open and contribute to an HSA, you can — regardless of your spouse being enrolled in Medicare. You can also still contribute up to the family maximum if you remain covered on a family high-deductible health plan (HDHP). And you can use your HSA to pay for your spouse’s health care expenses even if they are enrolled in Medicare.

Are there penalties if I use my HSA when I begin receiving Medicare benefits?

No. The only time you may incur penalties is if you use your HSA funds for an expense that isn’t eligible.

Are Medicare premiums an eligible HSA expense?

If you are the HSA holder and are age 65 or older, Medicare premiums are a qualified expense. But if you’re not 65 or older, Medicare premiums for coverage of the spouse or dependent (who is 65 or older) generally aren’t qualified expenses.

I’m 65 and have Medicare and still have coverage through my employer health plan. May I use my HSA funds to pay my employer coverage?

It depends on how you pay for your employer’s health plan. If you pay those premiums with pretax money from your pay, then the answer is no. If you pay the premiums with after-tax money, then you can use the HSA funds for this expense.
Which insurance premiums are eligible HSA expenses?
Eligible expenses include: long-term care insurance, health care continuation coverage, health care continuation coverage while receiving unemployment compensation (for you, your spouse, or a dependent) or Medicare, and other health care coverage if you are over 65. Medicare supplemental policies aren’t eligible expenses.

What are other eligible HSA expenses?
Eligible expenses include office visit copays, dental expenses, and vision care, to name a few. An extensive list of eligible HSA expenses can be found at inspirafinancial.com.

If my spouse and I are enrolled in my employer’s HSA-qualified plan and I enroll in Medicare, can my spouse open an HSA?
Yes, if your spouse is otherwise HSA-eligible. Individuals don’t have to be the medical plan subscriber to be HSA-eligible. You or your spouse can make tax-deductible contributions into the HSA, up to the family maximum, if you remain covered on a family HDHP (even if only your spouse is HSA-eligible). For some couples, this provision in the law allows them to continue to contribute to an HSA (and build income-tax-free balances for distribution in retirement) for several years after the older spouse enrolls in Medicare.

If I’m not HSA-eligible, can I enroll in my employer’s HSA-qualified medical plan?
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.

Can I make income-tax-free distributions from my HSA for non-qualified medical expenses when I turn 65?
No. However, once you turn 65 or meet Social Security’s definition of disabled, you can make distributions for items that aren’t HSA-qualified without incurring the 20% additional tax (penalty) otherwise assessed on non-qualified medical expenses.

What happens if I delay enrolling in Medicare?
If you delay enrolling in Medicare, you may receive up to six months of retroactive Medicare coverage. That period of retroactive coverage will be a period of Medicare entitlement. You’ll lose your HSA eligibility on the retroactive entitlement date, not the date you applied for Medicare coverage, making you ineligible to contribute to an HSA for those prior six months.

I became eligible for Medicare during the year. Can I continue to contribute to my HSA?
Starting with the month that you’re enrolled in Medicare, you are no longer eligible to contribute to an HSA. However, you can still use your funds for eligible expenses.

Get answers to your questions about Medicare and your HSA
For more information visit inspirafinancial.com