What Happens To My HSA When I Become Medicare Eligible?

There are important IRS rules that impact your eligibility to continue contributing to a Health Savings Account when you turn age 65 and are still enrolled in a High Deductible Health Plan.

- Starting the month you turn age 65, you are eligible for Medicare. While you can decline coverage, there are potential impacts and penalties to your premium when you enroll later.
- You can have an open Health Savings Account and be enrolled in Medicare at the same time – however, you are no longer eligible to contribute.
- You can continue to use the funds in your Health Savings Account after you are on Medicare, even for Medicare premiums or long-term care insurance.

Contribution Limit Warning

During the year you turn Age 65 and enroll in Medicare, your will have a reduced contribution limit depending on how many months you are Age 64. Medicare enrollment begins the first day of the month you turn 65.

- **Example**: Betty is enrolled in a family High Deductible Health Plan which provides a contribution limit of $6,250 in 2012. Since she is over 55, she gets a $1,000 catch-up contribution bringing the actual limit to $7,250. Her 65th birthday is August 15, meaning she is eligible for Medicare enrollment on August 1st. She is only eligible to contribute from January until July (seven months) and has a reduced limit of $4,229 ($7,250 divided by twelve months times seven months).

- **Example**: Sam is enrolled in a self-only High Deductible Health Plan which provides a contribution limit of $3,100 in 2012. He also qualifies for the $1,000 catch-up contribution since he is over 55, bringing his actual limit to $4,100. His 65th birthday is January 20th, meaning he is eligible for Medicare enrollment on January 1st. He is not eligible to contribute any money throughout the year.

How Tango Health Helps

During enrollment, any eligible employee who is already over age 65 is questioned whether they are enrolled in Medicare and thus not eligible to contribute to a Health Savings Account. This prevents any tax consequences due to ineligible enrollment from the start.

Throughout the life of the account, we’ll monitor their contribution limit and automatically reduce it for the year they turn 65. Even if the account holder forgets to change their payroll deduction, we’ll still cap it to ensure funds do not enter the account and create a tax consequence. If the employee decides to waive Medicare, they can adjust their contribution limit through Tango Health.