

Health Savings Account (HSA) and Medicare

If an individual with an HSA-compatible health plan enrolls in Medicare, can they still contribute to their HSA?

Once an individual enrolls in Medicare, HSA eligibility ends, and they must prorate the annual contribution limit (including the catch-up amount) based on the number of months that they were eligible during that year. They can still contribute the prorated IRS contribution limit until the IRS contribution deadline. As an example, if an individual turns 65 and enrolls in Medicare on July 1, they would need to prorate the annual contribution limit by 50% (including the catch-up amount) since they were only eligible for six out of the 12 months during that calendar year. (Based on IRS Notice 2004-67)

If a retiree who is enrolled in Medicare makes a distribution from an HSA to reimburse his/her Medicare premiums, is the reimbursement a qualified healthcare expense?

Yes. If an accountholder has attained age 65, an HSA distribution to reimburse the Medicare beneficiary equal to the Medicare premium deduction is a qualified healthcare expense (Notice 2004-50, Q&A-45 & Notice 2008-59, Q&A-29). If the accountholder has not attained age 65, Medicare premiums are generally not qualified healthcare expenses. (Notice 2008-59, Q&A-30)

May an otherwise eligible individual who is eligible for Medicare, but not enrolled in Medicare Part A, Part B or Part D, contribute to an HSA?

Yes. Section 223(b)(7) states that an individual ceases to be an eligible individual starting with the month he or she is entitled to benefits under Medicare. Under this provision, mere eligibility for Medicare does not make an individual ineligible to contribute to an HSA. Rather, the term "Entitled to benefits under" Medicare means both eligibility and enrollment in Medicare. Thus, an otherwise eligible individual under section 223(c)(1) who is not actually enrolled in Medicare Part A, Part B or Part D may contribute to an HSA until the month that individual is enrolled in Medicare. (Notice 2004-50, Q&A-2 & Notice 2008-59, Q&A-5)

While enrolled in Medicare, are health insurance premiums qualified healthcare expenses?

For individuals over 65, premiums for Medicare Part A, Part B, Part D, Medicare HMO, and the employee share premiums for employer-sponsored health insurance, including premiums for employer-sponsored retiree health insurance can be paid from an HSA. Premiums for Medigap policies are not qualified healthcare expenses. (Notice 2004-2, Q&A-27)



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