Optum Financial®

Does Medicare affect HSA eligibility?

Frequently asked questions



Medicare and HSA eligibility

If you've signed up for Medicare or become eligible, you may be wondering if that changes your ability to contribute to an HSA (health savings account). Here are some common questions and answers that will help you understand Medicare and how it fits with your HSA.

Do I lose my HSA eligibility when I turn 65?

No. You can open and contribute to an HSA at age 65 or later as long as you meet HSA eligibility requirements:

- You're covered on an HSA-qualified medical plan
- You're not someone's tax dependent
- You don't have any conflicting coverage
- You're not enrolled in Medicare

Do I lose my HSA eligibility once I enroll in Medicare?

Yes. Once you're enrolled in Medicare, you can no longer contribute to your HSA – even if you have another health plan.

Am I automatically enrolled in Medicare Part A at age 65?

No. You're enrolled in Part A (inpatient services) automatically only if you are age 65 or older and receiving Social Security or railroad retirement benefits. You're enrolled in Part A and Part B (outpatient services like doctor visits, lab work and imaging) automatically if you're collecting Social Security disability benefits or are diagnosed with amyotrophic lateral sclerosis (ALS, or Lou Gehrig's disease). Otherwise, you must sign up to receive coverage through Medicare.

Can I contribute to my spouse's HSA if I'm enrolled in Medicare and no longer HSA-eligible?

Yes. If your spouse is HSA-eligible and has an HSA, you can contribute to their HSA. Your spouse then deducts these contributions on their personal income tax return.

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. You don't have to be the medical plan subscriber to be HSA-eligible. You or your spouse can then make tax-deductible contributions to your HSA up to the family maximum if you remain covered on a family contract (even if only your spouse is HSA-eligible).

If I'm not HSA-eligible, can I enroll in my employer's HSA-qualified 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. As long as you meet eligibility requirements, you can enroll in an HSA-qualifying medical plan.

Medicare and HSA distributions

I'm no longer HSA-eligible. Can I make income tax-free distributions for QMEs (qualified medical expenses)?

Yes. You can withdraw funds income tax-free for QMEs anytime you have a balance in your account. That includes all out-of-pocket QMEs not reimbursed by insurance or other sources, such as:

- Medical plan deductibles
- Copays and coinsurance
- Dental and vision expenses
- Insulin and other diabetes supplies
- Certain over-the-counter drugs and medicine with a prescription
- Medicare Parts A, B and D
- Medicare Part C (Medicare Advantage HMO and PPO plans – plans offered by private insurers that replace Medicare coverage)



Have Medicare questions?

Call the Social Security Administration customer service center at **1-800-772-1213**.

Whose QMEs can I get reimbursed for from my HSA?

You can get reimbursed for expenses for you, your spouse or any tax dependent (such as an adult child with a disability). You can reimburse QMEs for these family members even if they're not HSA-eligible themselves, or covered by your medical plan.*

*You can't reimburse your own or anyone else's Medicare premiums income tax-free until you, the account owner, turn age 65. If you have an older spouse and want to reimburse their Medicare premiums income tax-free, they must open an HSA before they enroll in Medicare and contribute at least the $1,000 annual catch-up contribution. They can use this to cover their Medicare premiums until you turn age 65 and can reimburse their premiums income tax-free from your HSA. In addition, when both of you are HSA-eligible and covered on a family HSA-qualifying or compatible medical plan, you can split the family maximum contribution between your 2 HSAs as you wish.

My spouse and I both have an HSA. Do we have to limit distributions from each HSA to our own expenses?

No. You can reimburse each other's expenses from your respective HSAs as long as you remain married.

Can I take income tax-free distributions from my HSA for non-eligible medical expenses when I turn 65?

No. Distributions for non-eligible expenses are always included in your taxable income, just like distributions from a traditional 401(k) or traditional IRA. Once you turn 65 or meet Social Security's definition of disabled, you can take distributions for items that aren't HSA-qualified without incurring the 20% additional tax (penalty).

If I pass away first, can my HSA continue to reimburse my spouse's QMEs?

Yes. You name a beneficiary when you enroll in your HSA, and you can change the designation at any time. If you name your spouse as beneficiary, upon your death your HSA passes to your spouse with balances and tax advantages intact. If you name any other person or entity as the beneficiary, the HSA is liquidated and the assets pass to that person or entity, which may incur a tax liability. That beneficiary doesn't enjoy the tax benefits and isn't constrained by the rules of an HSA.

Ready to enroll?

Enrolling in an HSA is quick and easy because it's built into your employer's benefit options. Review your materials today so you don't miss your chance to sign up.

Scan the QR code, or go to **optum.com/HSAIntro** to see how you can save.

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Health savings accounts (HSAs) are individual accounts held at Optum Bank®, Member FDIC, unless otherwise indicated, and administered by Optum Financial, Inc. or ConnectYourCare, LLC, an IRS-Designated Non-Bank Custodian of HSAs, a subsidiary of Optum Financial, Inc. Neither Optum Financial, Inc. nor ConnectYourCare, LLC is a bank or an FDIC insured institution. HSAs are subject to eligibility requirements and restrictions on deposits and withdrawals to avoid IRS penalties. State and/or local taxes may still apply. Fees may reduce earnings on account. Refer to your HSA account agreement for details.

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