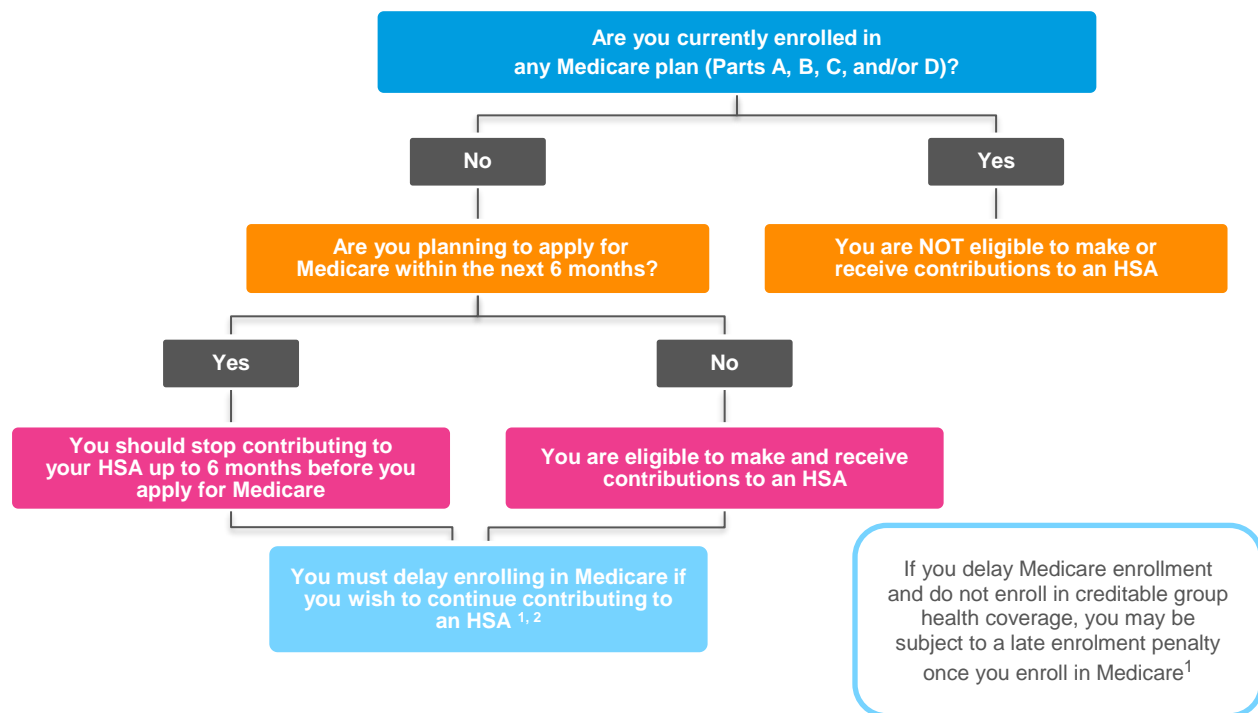


Medicare & Health Savings Accounts

The Internal Revenue Code (IRC) provides that an individual is not eligible to make or receive contributions to an HSA if they are entitled to (eligible for & enrolled in) Medicare. Merely being eligible for Medicare will not disqualify an individual from making or receiving contributions to an HSA. An individual becomes eligible for Medicare on the first of the month in which they turn 65, but they can also become entitled to Medicare earlier due to disability or End Stage Renal Disease diagnosis. Individuals may decline to enroll in Medicare when they first become eligible due to age; however, it may adversely affect the cost of Medicare when an individual later enrolls.¹ When you later enroll in Medicare, coverage will go into effect retroactively up to 6 months from the date of enrollment or your 65th birthday. To avoid HSA eligibility issues, HSA contributions should cease up to 6 months prior to date of enrollment.

Individuals may continue using HSA funds for qualified medical expenses after they become entitled to Medicare and can use these funds to pay for Medicare premiums (not Medicare supplement) or long-term care insurance.

The following flowchart is intended to assist you in determining HSA eligibility when Medicare is also involved. The chart assumes you are age 65 or older, enrolled in a qualified high deductible health plan, and still actively at work.



¹ Medicare Part D may apply a penalty of 1% for each month an individual does not have prescription coverage that is deemed "creditable", for a period of 63 days or more following the initial enrollment period for Part D. Creditable coverage for this purpose means prescription coverage that equals or exceeds the actuarial value of standard prescription drug coverage under Medicare Part D. If an individual misses the 7-month initial enrollment period for age-based Medicare and does not have group health plan coverage due to active employment, a monthly late enrollment penalty will apply for the duration of Part B coverage in the amount of 10% for each full 12 month period the individual was not enrolled in Part B. You may also have to pay a 10% penalty if you are responsible for a Part A premium, which will apply for twice the number of years you could have had Part A but didn't enroll.

² If your employer has fewer than 20 employees, Medicare is primary over employer sponsored group coverage. In this case it may not be in your best interest to waive Medicare. Medicare can deem the group coverage not creditable and impose a 10% late enrollment penalty, if Medicare coverage was not elected timely. In addition, employer plans generally have an offset provision that allows group coverage to reduce claim payments when Medicare would have been primary, but Medicare was not elected.

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