Health Savings Accounts (HSAs) and Medicare

Health Savings Accounts (HSAs) are accounts for individuals with high-deductible health plans (HDHPs). Funds contributed to an HSA are not taxed when put into the HSA or when taken out, as long as they are used to pay for qualified medical expenses. Your employer may oversee your HSA, or you may have an individual HSA that is overseen by a bank, credit union, or insurance company.

If you have an HSA and will soon be eligible for Medicare, it is important to understand how enrolling in Medicare will affect your HSA.

High-deductible health plans

In order to qualify to put money into an HSA, you must be enrolled in a high-deductible health plan. HDHPs have large deductibles that members must meet before receiving coverage. This means HDHP members pay in full for most health care services until they reach their deductible for the year. Afterwards, the HDHP covers all the member's costs for the remainder of the year.

Enrolling in Medicare when you have an HSA

If you enroll in Medicare Part A and/or B, you can no longer contribute pre-tax dollars to your HSA. This is because to contribute pre-tax dollars to an HSA you cannot have any health insurance other than an HDHP. The month your Medicare begins, your account overseer should change your contribution to your HSA to zero dollars per month. However, you may continue to withdraw money from your HSA after you enroll in Medicare to help pay for medical
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