Millard Public Schools

Health Savings Accounts and Medicare

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This material is for informational purposes only, and is not intended to provide, and should not be relied upon as tax or legal advice. HSA Bank does not provide tax or legal advice. Please consult with the Social Security Administration, Medicare and/or your tax or legal advisor for information and/or advice regarding your situation.

Health Savings Accounts and Medicare
Turning 65 and Planning on Postponing Medicare Coverage

- IRS rules state that you cannot contribute to a Health Savings Account (HSA) if you are enrolled in Medicare. You can take distributions of your existing HSA funds, but you cannot add to the account.
- If you are enrolled in Medicare, you can use your existing funds to pay for IRS-qualified medical expenses, including Medicare premiums, even though you are no longer HSA-eligible. You can reimburse yourself for the Medicare premium deducted from your Social Security payments.
- If you are still working at age 65, and wish to continue making contributions to an HSA, it will be necessary to postpone enrollment in Medicare.
- It will also be necessary to delay the start of your Social Security benefits.

Health Savings Accounts and Medicare
A Few Considerations

- When you apply for Social Security benefits, the Social Security Administration automatically enrolls you in Medicare Part A on the later of when you reach age 65 or begin your Social Security benefits. To avoid automatic enrollment in Medicare, you must also postpone Social Security.
- If you delay your Social Security benefits beyond your full retirement age (66 or 67 for most of us), your benefits will increase by about 8% per year until you reach age 70.
- Whether it makes sense to delay receipt of Social Security benefits and enrollment in Medicare so you may continue to contribute to an HSA will depend on your personal and financial situation (For example, it may make sense to delay Social Security and receive higher payments if you think you will live longer than average).
- We recommend that you work with a financial planner, tax or legal professional familiar with Medicare and Social Security rules.

Health Savings Accounts and Medicare
A Few Considerations

- If you delay enrolling in Medicare, you may be subject to late enrollment penalties.
- The late enrollment penalties are waived if you have group health coverage through an employer with more than 20 employees.
- To avoid a late enrollment penalty under Medicare Part D (prescription drug coverage), your employer's plan must offer "creditable" prescription drug coverage. This means it must offer prescription drug coverage comparable to Medicare. Your employer should be able to tell you whether your health plan provides creditable prescription drug coverage.
- To be eligible to contribute to an HSA at age 65 and beyond, you remain enrolled in your employer's HSA-eligible high deductible health plan. If your spouse enrolls in Medicare, you may have to reduce your annual contributions from the family to the single limit.
- You can still make an extra "catch-up" contribution for each year in which you are enrolled.

Health Savings Accounts and Medicare
A Few Considerations

How much can I contribute annually to an HSA?

2018 IRS Maximum Allowable Contribution Limits
- Individual: $3,450
- Family: $6,900

2019 IRS Maximum Allowable Contribution Limits
- Individual: $3,500
- Family: $7,000

Catch-Up Contributions

Accountholders who meet the qualifications noted below are eligible to make an HSA catch-up contribution of $1,000.
- Health Savings accountholder
- Age 55 or older (regardless of when in the year an accountholder turns 55)
- Not enrolled in Medicare (if an accountholder enrolls in Medicare mid-year, catch-up contributions should be prorated)

Authorized Signers who are 55 or older must have their own HSA in order to make the catch-up contribution.

Health Savings Accounts and Medicare
Contribution Considerations

<u>Investments</u>

HSA Bank provides unique opportunities to invest Health Savings Account (HSA) funds in self-directed investment options. It's a great way to potentially grow HSA funds for healthcare expenses, or save funds as a nest egg for retirement.

TD Ameritrade Self-Directed Brokerage Option:

Offers a wide array of products and services for many companies and their employees.

- Stocks, bonds and thousands of mutual funds (trading fees apply)
- No HSA minimum balance required to begin investing
- Online access to real-time data*, customizable charts, and one-click integrated trading
- Integrated, online access to trading, balance information, and much more through HSA Bank's Member Website
- Ability to place trades by website, telephone, mobile device, and broker

Devenir Self-Directed Mutual Fund Program:

Easily invest HSA funds in a pre-selected group of no-load mutual funds offering a variety of fund families and asset classes.

- Quarterly performance review of mutual fund selections by SEC-registered investment advisors
- No HSA minimum balance required to begin investing
- Integrated, online access to investment account history, balance information, contribution election, trades, and much more, all through HSA Bank's Member Website
- Access to Morningstar® reports and other planning tools

Health Savings Accounts and Medicare
Beneficiary Designation

A beneficiary is a person or legal entity that has been designated to receive the proceeds from an HSA in the event of death.

Allows employees to protect their HSA funds upon their death:
- If beneficiary is the spouse, account may be transferred to spouse's name and remain an HSA
- If beneficiary is not the spouse, balance is paid to the beneficiary as a taxable transaction
- If there is no beneficiary, balance is paid to employee's estate

Beneficiary designation/management:
- Online at Member Website
- Beneficiary Form

Health Savings Accounts and Medicare
Retroactive Rules

- When you finally enroll in Medicare after age 65, coverage under Part A will be effective retroactively for up to the preceding six months.
- This means that you are ineligible to contribute to an HSA in the final six months leading up to your enrollment in Medicare Part A.
- You should plan ahead and contribute less during the final year (or two, if the six month period spans two calendar years).
- Excess contributions are subject to a 6% penalty unless you remove them during the same calendar year.

Health Savings Accounts and Medicare
Helpful Resources

- The following resources are available to help you navigate the timing of coverage and benefits under Medicare and Social Security:
  - For information regarding Medicare and the postponement of coverage, contact Medicare at 1-800-MEDICARE or visit Medicare.gov.
  - For information regarding Social Security and the postponement of benefits, visit your local Social Security office, call 1-800-772-1213, or visit SocialSecurity.gov.
  - For information regarding whether you have "creditable" prescription drug coverage (to avoid late enrollment penalties under Medicare Part D), check with your employer, insurance company or plan administrator.

Health Savings Accounts and Medicare
Possible Changes on the Horizon*

- This year, the House Ways and Means Committee voted on and passed several bills to the House for vote, one of which involves HSAs and Medicare.
  - Summary: Allows HSA eligibility for working seniors enrolled in Medicare Part A (allows for continued contribution after Medicare enrollment).
    - Bill language currently does not include Parts B/D.
  - From there, the Rules Committee determined which bills to bring to the House floor to be voted on and HR 6311 (Increasing Access to Lower Premium Plans and Expanding Health Savings Accounts Act of 2018) is the bill that includes the changes to HSAs and Medicare.
    - On 7/25, final passage of HR 6311 was passed in a 242-176 vote.
      - From here it moves onto the Senate.
        - It is unknown when the Senate will take up debate on these bills (possibly around election time). There are **no guarantees** that this will pass the Senate and/or may be modified in some fashion.

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THANK YOU

Your Account Executive:

Joshua Gliniecki