Concordia Health Plan

Information about Medicare and Health Savings Accounts (HSAs)

Why did Concordia Plan Services (CPS) send me this information?

You are receiving this information because our records indicate that you will reach age 65 in 2020 or are age 65 or older and are enrolled in one of Concordia Health Plan's (CHP) high deductible options. This means that you and/or your employer may be contributing to a tax-favored Health Savings Account (HSA) in your name.

Most Americans become eligible for Medicare at age 65. Enrolling in Medicare has a direct effect on your ability to contribute to an HSA and your contribution limits. By providing this information, we hope to guide you through these complex rules, however if you still have questions on this topic, please call the CPS Health Services Team at **888-927-7526, ext. 6002.**

If I'm not yet 65, what choices do I have regarding Medicare coverage?

If you have already begun receiving Social Security benefits (or Railroad Retirement Benefits):

- You will be ***automatically enrolled*** in Medicare Part A (Hospital) and Part B (Physician) coverage on the first day of the month in which you reach age 65 (or the 1st of the prior month if you were born on the 1st day of a month).

If you have not yet started receiving Social Security benefits:

- When you choose to commence Social Security, Medicare Part A will also automatically commence. You should plan your HSA contributions to stay within the maximum pro-rated limits for the year. Once enrolled in Medicare, you may not make further HSA contributions beyond that calendar year.
- If you choose to delay enrollment in Medicare and receipt of Social Security benefits past your 65th birthday, you will not be automatically enrolled in Medicare and your HSA contributions may continue. However you will need to revisit this topic when you elect Medicare or begin receiving your Social Security benefits.

What happens to my HSA if I plan to start Social Security (or just Medicare) when I turn 65?

IRS rules allow those whose HSA eligibility ends mid-year to make contributions to an HSA, however the contribution limits will be impacted. The maximum contribution for the year will be prorated based on how many months you were eligible to make contributions.

For 2020, the annual maximum HSA contribution limits are:

Self-Only: $3,550 Family: $7,100 Catch-up: $1,000 (for those age 55+)

Example: If you turn 65 in July and you prospectively commence Social Security (and/or Medicare) as of July 1, 2020, you are entitled to make HSA contributions for six months (January - June). Therefore you will be able to make contributions equal to half the annual limits above (since you are eligible for half the year).

For this example, let's assume you are subject to the family limit of $7,100. Based on your age, you are also eligible for the $1,000 Catch-up limit for a total limit of $8,100 ($7,100+1,000=$8,100), but your prorated limit is $4,050 ($8,100 X .50 = $4,050).

Your HSA contributions, up to your prorated limit of $4,050, can be made anytime from January 1, 2020 through April 15, 2020 (tax deadline). No further HSA contributions can be made in 2021 or subsequent years.

If I'm 65 or older, and have not started either Social Security or Medicare, should I have any concerns about my HSA?

HSA contributions may continue as long as this is the case. However, it is important to know that once you commence Social Security and/or Medicare, you will be automatically enrolled in Medicare Part A retroactively up to the first month of eligibility (but no more than six months prior to your Medicare enrollment date).

Example: If you enroll in December, but your first month of eligibility was the prior July, you will be retroactivity enrolled in Medicare Part A to July. Likewise, if you are enrolled in December but your eligibility was in March, you will be retroactivity enrolled to the six month limit of June.

This means your HSA contribution limits for that year, and sometimes the previous year, will be affected. Your contribution limit will be prorated based on the retroactive effective date of Medicare, not the date you enroll.

What are my options if I am funding an HSA and facing up to a six month retroactive Medicare Part A enrollment?

In these circumstances, IRS rules allow those whose HSA eligibility ends mid-year to make contributions to an HSA, however the contribution limits will be prorated based on how many months you were eligible to make contributions.

If you have not yet enrolled in Social Security and/or Medicare, we suggest you calculate your retroactive Medicare coverage effective date ahead of time. That month will establish your proration factor.

Example: Let's assume it's been more than six months since your 65th birthday. The retroactive Medicare Part A coverage period will be the full six months.

Medicare Enrollment in	Retroactive Part A to ...	Prorated HSA Limit ...
January (next year)	July 1 (this year)	6/12 or .50 X this year's limit
December	June 1	5/12 or .417 X this year's limit
November	May 1	4/12 or .333 X this year's limit
October	April 1	3/12 or .25 X this year's limit
September	March 1	2/12 or .167 X this year's limit
August	February 1	1/12 or .083 X this year's limit
July	January 1	-0- No Contributions Permitted
June	December (prior year)	Review prior year HSA contributions vs. 11/12 or .917 X last year's limit
May	November	Review prior year HSA contributions vs. 10/12 or .833 X last year's limit
April	October	Review prior year HSA contributions vs. 9/12 or .75 X last year's limit
March	September	Review prior year HSA contributions vs. 8/12 or .667 X last year's limit
February	August	Review prior year HSA contributions vs. 7/12 or .583 X last year's limit
January	July	Review prior year HSA contributions vs. 6/12 or .50 X last year's limit

What should I do if I and/or my employer made HSA contributions for a given year that exceed the limits?

If you discover this error prior to filing your federal income taxes for the year (professional tax preparers should be knowledgeable on this topic), you can contact your HSA administrator and have them refund the excess contributions to you prior to filing your taxes.

- Further – **800-859-2144**
- LCEF – **800-843-5233**
- Kaiser Permanente – **877-767-3399**

If you discover the error after you have filed, you can still ask for a refund of the excess amount, but you will most likely need to file an amended tax return.

Income taxes (including on any interest earned) and payroll taxes will need to be applied to the refunded amounts and a revised W-2 may be required, but correcting the amounts contributed will help you avoid paying a 10 percent excise tax on the excess contributions every year until the account is corrected.

What other CHP options are available to those enrolled in a high deductible health plan option, but who are ineligible to fund an HSA because they have Medicare?

A. The Premium Plus Option

If your employer has fewer than 20 total full- and part-time workers, the CHP's Premium Plus option is available. If your employer is eligible and applies for the Small Employer Exception, and you and/or your spouse are enrolled in Medicare Parts A and B, Premium Plus provides:

- Medical coverage (combining Medicare with CHP Premium Plus benefits) with a total value not exceeded by any other CHP coverage option for active members,
- CHP's best prescription drug coverage, with only co-pays (no deductibles),
- CHP's dental and vision benefits (if offered by employer),
- Coverage options for yourself (if you're under 65 but your spouse is 65+) or any under-65 dependents if you're 65+, in your employer's non-Medicare CHP option,
- Tax-free reimbursement of standard/non-income adjusted, Part B premiums, and
- Lower monthly CHP contributions in most locations and virtually all options.

If your employer wants to inquire about Premium Plus, please have them call 888-927-7526 and ask for an Account Management Team member at ext. 6020. If you want to learn more about Premium Plus coverage for you or your spouse, please call the same toll-free number, but ask for a Heath Services Team member at ext. 6002.

B. A Non-HDHP Option, if Available

If your employer is too large to qualify for the Small Employer Exception (and thus ineligible for Premium Plus) but offers multiple CHP options, ask about changing coverage to a non-HDHP option when Medicare becomes effective.*

C. Managing Out-of-Pocket Exposure

If neither of the first two options are available to you, you still have both the CHP coverage as primary (meaning it pays first) and Medicare as secondary coverage. Even if you just have Medicare Part A, it will cover hospital charges that may be subject to your CHP's deductibles and coinsurance and could end up paying these costs in full.

You may consider commencing Medicare Part B (Physician) and/or Part D (Prescription) if the premiums for these options seem reasonable to you relative to your out-of-pocket responsibility in the HDHP option.

Also, if your employer offers Flexible Spending Accounts (FSAs) for health care in addition to HSAs, consider funding such an account to help cover your out-of-pocket healthcare expenses on a tax-free basis.*

**IRS rules governing mid-year election changes in flexible benefit plans permit employers to allow for plan option changes when other coverage, like Medicare, becomes effective. However permission to do so is ultimately an employer decision.*

I am married and covered by a family high-deductible health plan with an HSA. My spouse is enrolled in Medicare but also covered under a family high-deductible health plan. Can I still contribute to the HSA?

Yes, being eligible to contribute to the HSA is determined by the status of the HSA account holder, not the dependents of the account holder. Your spouse being enrolled in Medicare does not disqualify you from continuing contributions to the HSA, even if your spouse is also covered by a high-deductible health plan.

What happens to the funds in my HSA when no further contributions are allowed?

The funds remain in your account and may be used tax-free to pay for out-of-pocket health care expenses or to pay for Medicare Part B or Part D, or for Medicare Advantage premiums for you and/or your dependents. If you withdraw funds to pay for non-health related expenses, you will incur income tax on the funds, however will not be subject to an excise tax (because you are 65 or older).

Who do I contact for additional information?

If you would like additional information, please contact the Health Services Team at **888-927-7526, ext. 6002** or email **info@ConcordiaPlans.org.**