



## How Turning Age 65 Impacts HSA Eligibility

There is a difference between being eligible for Medicare and enrolled in Medicare. If you are age 65+ and eligible for Medicare, you continue to be eligible for an HSA as long as you don't enroll in Medicare. Just being eligible for Medicare does not disqualify you from participating in an HSA.

### If I enroll in Medicare, am I still eligible for the company's HSA contribution?

You are not eligible to receive the company's HSA contribution if you are enrolled in Medicare. If you are enrolled in Medicare, you are not eligible for HSA contributions – employee or employer. Note that if you are enrolled in Medicare and ineligible to participate in an HSA, this does not affect any existing HSA account or account balance that you have from previous years where you were otherwise eligible to contribute. See below for distributions from your existing HSA accounts after age 65.

### How will the company know if I am enrolled in Medicare?

If you are age 65+ and enroll in the HSA medical plan during Annual Enrollment, the Corporate Benefits Department will contact you to verify if you are enrolled in Medicare. If you enroll in Medicare outside of Annual Enrollment, you are required to notify the Benefits Center at **1-844-44-DFSCO (1-844-4433726)**.

### Am I eligible for the company's HSA contribution even if I don't contribute to an HSA?

Yes, if you don't elect to contribute to an HSA but are otherwise eligible to contribute (i.e. enrolled in a high deductible health plan), you are still eligible to receive the company's HSA contribution as long as you don't enroll in Medicare. You don't have to contribute to an HSA to receive the company's HSA contribution if you are otherwise eligible for HSA contributions.

### Why does enrolling in Medicare disqualify me from HSA eligibility?

In order to be eligible to contribute to an HSA or receive an employer contribution for an HSA, you must be enrolled in a high deductible health plan but cannot be enrolled in another health plan that is not a high deductible plan, including Medicare (Medicare is not considered a high deductible health plan).

If you are receiving Social Security benefit payments and are age 65+, you are most likely enrolled in Medicare Part A because of auto enrollment and, if that is the case, you will not be eligible to participate in an HSA.

### HSA Withdrawals after age 65

After you turn 65, you may withdraw money from your HSA for non-medical purposes without penalty. The withdrawal is treated as taxable income and is subject to ordinary income tax. See additional detail below regarding HSA distributions after age 65.

## Other HSA-qualified expenses

Generally you cannot use your HSA to pay for health insurance premiums, but there are exceptions. You may use your HSA to pay for:

- Any health plan coverage while receiving federal or state unemployment benefits
- COBRA continuation coverage after leaving employment with a company that offers health insurance coverage
- Eligible long-term care insurance
- Medicare premiums and out-of-pocket expenses, including deductibles, copays, and coinsurance for:
  - Part A (hospital and inpatient services)
  - Part B (physician and outpatient services)
  - Part C (Medicare HMO and PPO plans)
  - Part D (prescription drugs)

Note: this does not include premiums for a Medicare supplemental policy, such as Medigap.

## Age 65 HSA General Distributions

At age 65, you can take penalty-free distributions from the HSA for any reason. However, in order to be both tax-free and penalty-free, the distribution must be for a qualified medical expense. Withdrawals made for other purposes will be subject to ordinary income taxes.

***Please note that this document is for informational purposes only and is based on current regulations. It doesn't represent, and shouldn't be construed as tax advice. Please consult your tax advisor for details, including the tax rules that may be applicable in your state and refer to IRS Publication 969.***

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