

Navigating the intersection of Medicare and Health Savings Accounts (HSAs) can be complex. Understanding the rules helps you maximize your benefits and avoid costly penalties. This guide provides the clarity you need to make confident decisions about your healthcare and savings.

## What Is an HSA?

A Health Savings Account (HSA) is a tax-advantaged savings account available to individuals enrolled in a **High-Deductible Health Plan (HDHP)**. HSAs offer a triple tax benefit: contributions are tax-deductible, growth is tax-free, and withdrawals for qualified medical expenses are tax-free.

## Key Rules: Medicare + HSA

- **Stop Contributing:** Once you enroll in any part of Medicare (A, B, C, or D), you can **no longer contribute** to your HSA. This is an IRS rule. Note: claiming Social Security at or after 65 automatically enrolls you in Part A.
- **Use Existing Funds:** You can still **withdraw tax-free** for qualified expenses, including Medicare premiums, deductibles, copays, and coinsurance.
- **Part A Back-Dating:** If you have delayed Medicare enrollment past age 65, Part A coverage can be backdated 6 months up until your 65<sup>th</sup> birthday. Recommendation is to stop HSA contributions 6 months before your enrolling in Medicare or drawing Social Security, whichever occurs first. Contributions made during that retroactive window become excess and trigger a 6% excise tax.

## 2026 HSA Contribution Limits

Individual HDHP	<b>\$4,400</b>
Family HDHP	<b>\$8,750</b>
Catch-Up (Age 55+)	<b>+\$1,000</b>

### Pro Tips

- HSA funds roll over year to year - no “use it or lose it” rule.
- After 65, non-medical HSA withdrawals are taxed as ordinary income with no penalty.
- Download IRS Publication 502 to understand what expenses qualify for HSA distribution.
- Coordinate timing carefully with your HR team and Medicare enrollment to avoid penalties.

## HSA-Eligible Medicare Expenses

- ✓ Medicare Part A & B premiums
- ✓ Medicare Part C (Advantage) premiums
- ✓ Medicare Part D (Prescription Drug) premiums
- ✓ Deductibles, copays & coinsurance
- ✓ Dental, vision & hearing expenses
- ✓ Long-term care insurance premiums (age-based limits)

### NOT Eligible:

- X Medigap (Medicare Supplement) premiums

## THERE WHEN YOU NEED US MOST

HUB Medicare Solutions offers licensed advisors who specialize in employer-to-Medicare transitions. We help you understand your options at no cost to you, with no obligation to enroll.

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## Common Pitfalls to Avoid

- ! Employer Contributions Count:** Employer HSA contributions count toward the annual limit and must stop when you enroll in Medicare — notify your HR team promptly.
- ! Spouse Considerations:** If your spouse is under 65 and on your HDHP plan, they can open an HSA and contribute even after you enroll in Medicare. The rules apply per individual, not per household.
- ! HSA Investment Gains Still Count:** Interest and investment earnings inside your HSA are not taxed while in the account, but any growth does not change your contribution limits. Be mindful of total contributions, not total balance, when calculating your annual limit.

## Key Takeaway

If you value maximizing HSA contributions, **do not enroll in Part A or file for Social Security until you are ready to stop contributing.** Consult a licensed Medicare advisor for personalized guidance on timing.

## Did You Know?

HSA funds can be used to pay for your spouse's qualified medical expenses, even if they are not on your HDHP. And unlike a Flexible Spending Account (FSA), your HSA balance carries forward indefinitely. The average retired couple may need approximately **\$315,000** in after-tax savings to cover healthcare expenses in retirement (Fidelity, 2024). An HSA can help bridge that gap with triple tax advantages.

## HSA vs. Medicare: Can you contribute?

Scenario	HSA Contributions?
On HDHP, no Medicare	Yes
Enrolled in any Part of Medicare	No
Spouse on HDHP, you on Medicare	Spouse: Yes
Medicare + using HSA funds	Withdrawals only
Delayed Part A, still on HDHP	Yes
Receiving SS at 65+	No (auto Part A)

## Frequently Asked Questions

### Can I reopen my HSA after enrolling in Medicare?

No. Once enrolled in Medicare, you cannot make new contributions. However, your existing HSA remains open, and you can continue to withdraw funds tax-free for qualified medical expenses indefinitely.

### What happens if I accidentally over-contribute?

Excess contributions are subject to a 6% excise tax for each year they remain in the account. Contact your HSA administrator to withdraw the excess amount before your tax filing deadline to avoid ongoing penalties.

### Do I need to use my HSA funds by a certain age?

No. There is no required minimum distribution and no expiration date. HSA funds remain in your account until you use them, making it an excellent long-term savings vehicle for healthcare costs in retirement.

### Can I invest my HSA funds?

Yes. Most HSA Administrators offer investment options beyond a basic savings account, including mutual funds and index funds. Investment growth is tax-free while in the account, and withdrawals for qualified medical expenses remain tax-free.

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