Concordia Health Plan

Information about Medicare and Health Savings Accounts.

Why did Concordia Plans send me this information?

You are receiving this information because our records indicate that you will reach age 65 in 2024 or are age 65 or older and are enrolled in one of Concordia Health Plan's health savings account compatible plan 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. If you still have questions on this topic, please call Concordia Plans 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 (Medical Insurance) 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 will still be employed full-time and covered by the CHP, you can decline Part B when you receive your card, but before your coverage becomes effective. Once enrolled in Medicare, you may not make further HSA contributions beyond that calendar year, and Medicare's effective date will establish your maximum HSA contribution for that year.

If you have not yet started receiving Social Security benefits:

- When you commence Social Security, Medicare Part A will 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, and Medicare's effective date will establish your maximum HSA contribution for that year.
- If you choose to delay enrollment in Medicare and the 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 2024, the annual maximum HSA contribution limits are:

Self-Only: $4,150 Family: $8,300 Catch-up: $1,000 (for those age 55+)

Example: If you turn 65 in July and you commence Social Security (and/or Medicare) as of July 1, 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 $8,300. Based on your age, you are also eligible for the $1,000 Catch-up limit for a total limit of $9,300 ($8,300 + $1,000), but your prorated limit is $4,650 (9,300 x .50).

Your HSA contributions, up to your prorated limit of $4,650, can be made anytime from January 1, 2024 through April 15, 2025 (or the tax deadline). No further HSA contributions can be made after April 15, 2025 (or the tax deadline).

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.

Month Applied for Medicare	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.

- HealthEquity – **866-346-5800**
- Further – **800-793-6922**
- 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 taxes on the interest earned) and payroll taxes will need to be applied to the refunded amounts and a revised W-2 may be required. Correcting the amounts contributed will help you avoid paying a 10% excise tax on the excess contributions every year until the account is corrected.

What other CHP options are available to those enrolled in an HSA compatible 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-time 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),
- CHP coverage options for the under age 65 member or spouse.
- Tax-free reimbursement of standard/non-income adjusted, Part B premiums, and
- Lower monthly CHP contributions in most locations for virtually all options.

If your employer wants to inquire about Premium Plus, please have them call 888-927-7526, ext. 6825. If you want to learn more about Premium Plus coverage for you or your spouse, please call the same toll-free number, ext. 6002.

B. Review your CHP option

You can remain in your HSA compatible option but not fund an HSA, or at Open Enrollment you can enroll in a non-HSA compatible option if offered by your employer. If your employer offers a medical flexible spending account or health reimbursement arrangement, participation in these accounts can help cover your out-of-pocket health care expenses on a tax-free basis.*

After enrolling in Medicare, CHP coverage is primary (meaning it pays first) and Medicare is 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. **Note:** Does not apply to the CHP Premium Plus Option (see above for details).

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

**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 HSA compatible option. My spouse is enrolled in Medicare but also covered under the same family HSA compatible option. 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 an HSA compatible option.