



Health Savings Account Eligibility and Non-CDHP Plans Including Medicare

As you know, in 2016, Magellan will be offering two consumer-driven health plans (CDHPs) supplemented by health savings accounts (HSAs). The CDHPs are the medical plan, while the HSA supplements your coverage by allowing you to use pre-tax dollars to pay for out-of-pocket expenses. You elect both the plan option and the HSA contribution separately during enrollment.

IRS Rules do not allow you to contribute to an HSA if you are enrolled in a non-CDHP plan, including Medicare. Keep in mind, it is your responsibility to understand the IRS rules and decide whether you are eligible to contribute to an HSA. Contributing to an HSA when you are not eligible may result in penalties and additional taxes.

What am I eligible for if I am age 65 or older, or enrolled in a non-CDHP health plan, including Medicare?

At age 65 and older, or if you are currently enrolled in Medicare or another non-CDHP health plan, you can still enroll in Magellan's CDHP medical plan. You can also contribute to the HSA associated with the CDHP if you are NOT enrolled in any part of Medicare (including part A) or another non-CDHP health plan.

If you are enrolled in another non-CDHP plan, including Medicare, you can take penalty-free distributions from a pre-established HSA (contributions were made before you became ineligible) for any reason – not just qualified medical expenses, and you can take penalty-free and tax-free distributions from your HSA for qualified medical expenses.

What can I contribute to the HSA if I will turn age 65 in 2016?

You lose eligibility as of the first day of the month you turn 65 AND enroll in Medicare. *For example, if you turn 65 on June 5 and enroll in Medicare, you are no longer eligible to contribute to your HSA as of June 1.*

You can contribute a pro-rata amount for the period you are eligible. *For example, if you are enrolled in Employee Only coverage in the CDHP and become ineligible on June 1, you can contribute 5/12 of \$3,350 + \$1,000 catch up or \$1,812.50.* And, if you don't contribute \$1,812.50 by June 1, you can make a contribution up to the amount you are eligible to contribute after you turn age 65, as long as it's before April 15 of the following year. *For example, you become ineligible on June 1, 2016, you can contribute the \$1,812.50 on April 14, 2017 (if you have not made any other contributions in 2016).*

How can I contribute to an HSA if I'm eligible for Medicare?

- If you're eligible for Medicare but have not filed an application for either Social Security retirement benefits or Medicare, you can contribute to an HSA. You have the right to postpone applying for Social Security or Medicare. There is no penalty for this delay, and when your employment ends, you will be entitled to a special enrollment period to sign up for Medicare.
- If you're entitled to Medicare because you signed up for Part A at age 65 (or later) but have not yet applied for Social Security retirement benefits, you can withdraw your application for Part A by contacting the Social Security Administration. The Social Security Administration automatically enrolls you in Part A when you begin collecting Social Security benefits.
 - *If you applied for Part A but have not yet begun receiving Social Security* and you withdraw your application, you can begin contributing to your HSA.
 - *If you applied for Part A but have received Social Security payments*, you can withdraw your application and begin contributing to an HSA, but you must pay back all of the money you received from the government including any money Medicare spent on your medical claims.

One Pitfall to be Aware of: When you sign up for Social Security retirement benefits, if you are at least 6 months past your full retirement age – Social Security will give you 6 months of “back pay” in retirement benefits. That means your enrollment in Medicare will be “back dated” by 6 months. To avoid penalties, you need to stop contributing to your HSA 6 months before you apply for Social Security retirement benefits.

What if I am not eligible to contribute to an HSA, but my spouse is not enrolled in Medicare or another non-CDHP plan?

If you are ineligible to contribute, but your spouse is enrolled in a CDHP plan and not enrolled in Medicare or another non-CDHP plan – either through Magellan or his/her place of work – he/she is eligible to continue to contribute to an HSA. And, those funds can be used for YOUR qualified medical expenses.

If your spouse is enrolled in the Magellan CDHP plan but you are not eligible to contribute, he/she will have to set up his/her own individual HSA, and Magellan cannot make contributions into it. If you receive funding through the Magellan Premium Plan option and you are not eligible to contribute to an HSA, it will be your responsibility to move those funds out of the HSA and pay taxes on them at the end of the year.

What if I received Medicare Part A under age 65 because of a disability?

You're entitled to Medicare after you've received your 25th disability check from Social Security. If you return to work, your Medicare entitlement will continue for up to 93 months from the time you first applied for disability. As long as you are enrolled in Medicare you are not eligible to contribute to an HSA. The only way to opt out of Part A – and be eligible to contribute to your HSA – is to repay Social Security for all of the disability benefits you've received, and repay Medicare for any reimbursed claims.

What if I have more questions?

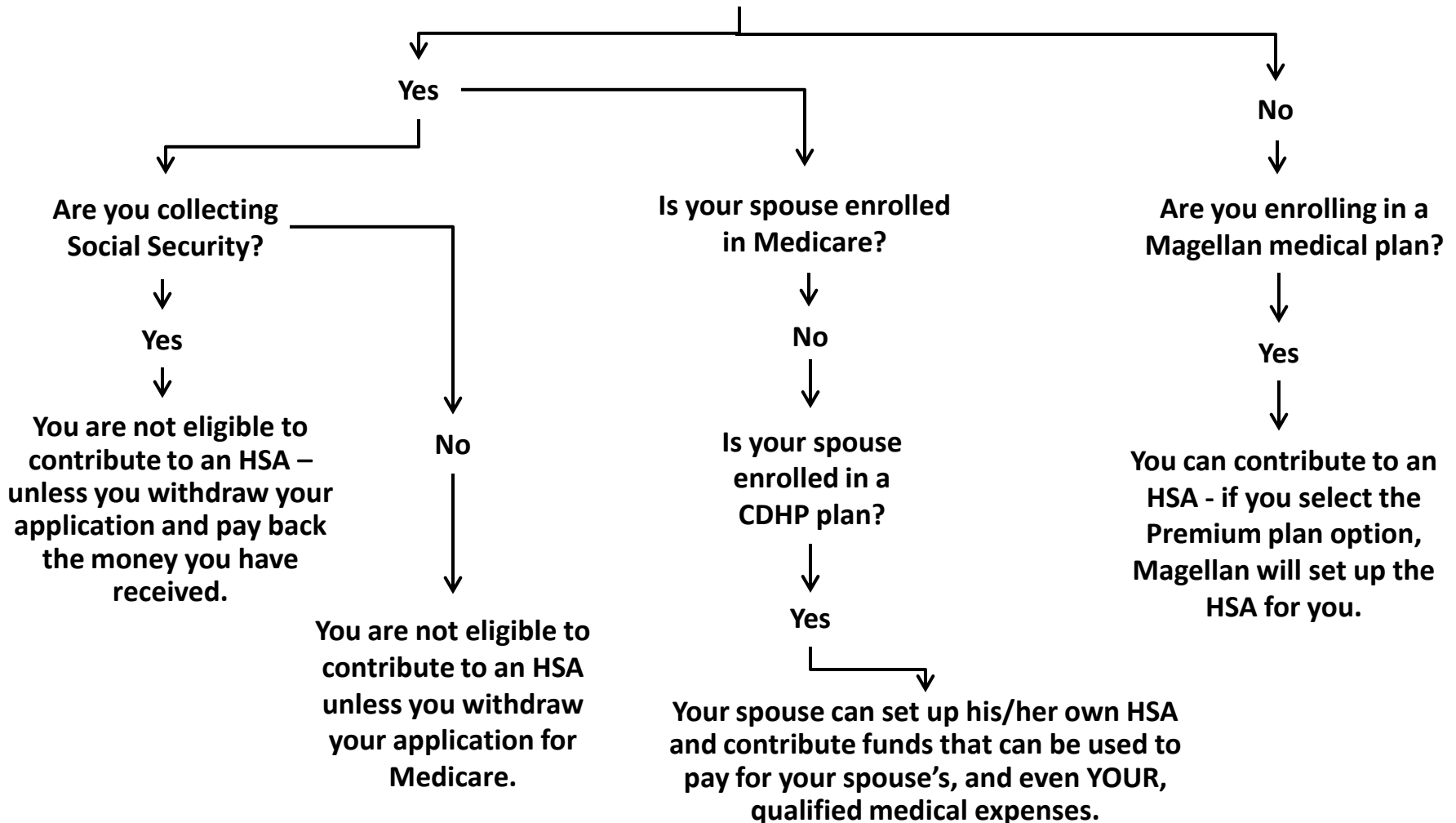
It is your responsibility to fully understand and comply with IRS regulations. You can find additional information by using the following online resources:

- Publication 969 at: <https://www.irs.gov/pub/irs-pdf/p969.pdf> which describes qualification for an HSA.
- Publication 502 at: <https://www.irs.gov/pub/irs-pdf/p502.pdf> which describes qualified medical expenses.
- HSA Resources website [FAQs](#), which includes an [Eligibility and Contribution Worksheet](#) and a [Distribution Worksheet](#)

Review the decision tree below that illustrates these FAQs. We also encourage you to contact your tax advisor or financial planner if you have a question that is unique or relates to your specific financial situation.

For specific healthcare questions, contact Health Advocate at 866-695-8622 or at www.healthadvocate.com/Magellan.

Are you enrolled in Medicare – including Part A only?*



** This is a general summary of IRS regulations related to Medicare and HSA contributions. It is not intended to provide tax or legal advice, and may not be applicable to your situation. It is your responsibility to determine if you are eligible to contribute to an HSA, and if you have questions, you should consult your tax or financial advisor.*