Health Insurance Options for Employees Turning 65

The information in this Power Point presentation is for **informational purposes only.** Please contact Medicare directly for confirmation of your benefits.

Brown & Brown INSURANCE

Medicare and High Deductible Health Plan (HDHP) with a Health Savings Account (HSA)

- There are usually questions from employees enrolled in the HDHP/HSA who are turning 65 and what options are available for health insurance.

- Most of the information in this presentation is from the 2025 Medicare and You Handbook, published by the Centers for Medicare and Medicaid Services (CMS).

You can find the handbook online at: https://www.medicare.gov/Pubs/pdf/10050-medicare-and-you.pdf



Should I sign up for Medicare at age 65?

- Though it is commonly believed that you have to sign up for Medicare when you turn 65, you actually are not required to do so.

- As long as you have creditable coverage from an **active** employer, you will not be penalized for signing up for Medicare at a later time, as long as you do so as soon as you retire.

What is the initial Medicare enrollment period?

- You can first sign up for Part A and/or Part B during the 7-month period that begins 3 months before the month you turn 65, includes the month you turn 65, and ends 3 months after the month you turn 65.

- If you sign up for Part A and/or Part B during the first 3 months of your Initial Enrollment Period, in most cases, your coverage starts the first day of your birthday month. However, if your birthday is on the first day of the month, your coverage will start the first day of the prior month.

- If you enroll in Part A (that you have to pay for) and/or Part B the month you turn 65 or during the last 3 months of your Initial Enrollment Period, the start date for your Part B coverage will be delayed.

What happens if I don't sign up for Medicare when I turn 65?

- If you didn't sign up for Medicare when you were first eligible because you're covered under a group health plan based on **current employment** (your own, a spouse's, or if you're disabled, a family member's), you can sign up for Part A and/or Part B during a **Special Enrollment Period (SEP).**

- The SEP is the 8-month period that begins the month after the employment ends or the coverage ends, whichever happens first. Usually, you don't pay a late enrollment penalty if you sign up during a SEP.

- This SEP does not apply to people who are eligible for Medicare based on having End-State Renal Disease (ESRD).

Can I keep my HDHP coverage if I sign up for Medicare?

- Yes, you can sign up for Medicare and remain on the group HDHP.
- Your group health plan will be considered your primary insurance and Medicare will be considered your secondary insurance.

Can I still put money into my HSA if I enroll in Medicare?

- No. Since you would have other health insurance coverage beside your group HDHP, as the account holder of your Health Savings Account, (H.S.A.), you can no longer contribute money into your H.S.A, per IRS guidelines.

- This also includes employer contributions.

- If you or your employer contribute to your HSA after your Medicare coverage begins, you may have to pay a tax penalty.

When do contributions need to stop if I sign up for Medicare?

- Per the Medicare and You Booklet **“**Remember, premium-free Part A coverage begins 6 months before the month you apply for Medicare (or Social Security/RRB benefits), but no earlier than the month you turn 65. To avoid a tax penalty, you should stop contributing to your HSA at least 6 months before you apply for Medicare.”

- If you’d like to continue contributing to your employer-sponsored HSA without penalty after you turn 65, you shouldn’t apply for Medicare, Social Security, or Railroad Retirement Board (RRB) benefits.

Depending on how you become eligible for Part A, the retroactive period may be different. Review the chart below to help decide when it's best to stop your HSA contributions.

If you sign up for Medicare:	During your Initial Enrollment Period	You can avoid a tax penalty by making your last HSA contribution the month before you turn 65.
	2 months after your Initial Enrollment Period ends	
	And your birthday is on the 1st day of the month	Generally, your Medicare coverage starts the first day of the month before you turn 65. You can avoid a tax penalty by making your last HSA contribution 2 months before you turn 65.
If you wait to sign up for Medicare:	Less than 6 months after you turn 65	You can avoid a tax penalty by stopping HSA contributions the month before you turn 65.
	6 or more months after you turn 65	You can avoid a tax penalty by stopping HSA contributions 6 months before the month you apply for Medicare.

How do I receive my employer contributions if I sign up for Medicare?

- You could receive your portion of the deductible funding via a Health Reimbursement Arrangement (HRA), which is an employer-owned account.

- This decision would need to be made at the beginning of the plan year you enroll in Medicare, as this plan change cannot occur during the plan year.

Can I use the money in my HSA if I enroll in Medicare?

- Yes, you may use money that's already in your HSA after you enroll in Medicare to help pay for qualified medical expenses (deductibles, copayments, or coinsurance) and Medicare premiums (if you're billed directly).

Employees turning 65 during the coming plan year will have two options:

Option 1: Do not sign up for Medicare

- Tell the Medicare/Social Security Office that they do not wish to take Medicare at all at this time (even just Part A).
  - Why do this? If the employee likes the opportunity to put away pre-tax money in an HSA, this option allows them to continue doing that. It is perfectly legal.
  - Possible Concerns? When they do retire and eventually sign up for Medicare, the effective date will be retro-active six months. For example, someone turns 65 in November of 2024 and doesn't sign for Medicare at that point. If they retire at the end of the school year and their active coverage ends on August 31, 2025, they'll notify the Social Security Department that they need Medicare starting 9/1/25.
  - Because of the 6 month rule, the effective date will retro-actively be made to 3/1/25. As a result, they would only be considered a qualified contributor to an HSA in 2025 for the months of January and February.

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Option 2: Sign up for Medicare Part A now and enroll in the HRA

- Why do this? If the employee decides they want to join Medicare right away, they would choose this option. Since someone can't legally contribute money to an HSA account and be covered under Medicare at the same time, they would instead receive the employer's deductible funding in an HRA.

- Possible Concerns? Since an HRA by definition is an employer-owned account, the employee would not have the ability to put any of their own money away pre-tax on top of the employer's portion. Also, if they left employment without spending all of their HRA money, they would lose it, unlike unused HSA funds which would stay with them.

How does a HRA work?

- You will have the same deductible funding allotted for you as if you were to receive funding in your HSA.
- Prior to satisfying your deductible, claims process through Anthem and the claims will be paid with your allotted HRA funds directly to the providers until the funds are exhausted.
- Once you exhaust the funds, you will be responsible to pay for qualified medical expenses, out of your pocket, until you satisfy the deductible. If you have funds left in your HSA, you may use those funds to pay for out-of-pocket expenses.
- At that point, the plan will pay for covered services provided by in-network providers/facilities and prescriptions covered under the plan and your only out-of-pocket expense will be a pharmacy copay for the remainder of the plan year.

Is there any option for me to pay for qualified medical expenses with pre-tax money?

- Yes, you can use the remaining funds in your HSA.
- You can sign up for a Flexible Spending Account (FSA)
- The contributions into an FSA are pre-tax
- The maximum FSA contribution for 2025 is $3,300

Word of caution – The FSA has a use it or lose it rule. Funds you do not use in the plan year will be forfeited.

REMINDER

- ***The information in this presentation is for informational purposes only. Please contact Medicare directly for confirmation of your benefits at 1-800-MEDICARE.***

- Also, the Medicare.gov website @ https://www.medicare.gov/ provides in depth information regarding Medicare, as well as the online Medicare and You Handbook @ https://www.medicare.gov/pub/medicare-you-handbook.

- If you are a teacher, the Teachers' Retirement Board (TRB) offers Medicare Retiree Programs to those that qualify.

Notes

- You can find information pertaining to healthcare coverage on their website @ https://portal.ct.gov/TRB.

- The TRB Turning Age 65 Guide provides information about the plans available to qualified retirees - Turning Age 65 Menu (ct.gov)

- **Due to the Social Security Fairness Act effective 1/01/2025, teachers can now apply for Social Security based on their own quarters as well as their spouse's earnings.**

- **It is important to remember when you sign up for Social Security benefits, you automatically are enrolled in Medicare Part A. This will affect your ability to have contributions put into your Health Savings Account (HSA). This includes contributions made by you and your employer.**

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Questions?

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