

Medicare's 6-Month Lookback for HSA Contributions

Medicare Late Enrollees

When enrolling in Medicare after age 65, Medicare coverage is retroactive for the six months preceding Medicare enrollment, **but not before an enrollee's 65th birthday**. Any time a person over age 65 who has been contributing to an HSA, delayed enrollment in Medicare or Social Security—which triggers automatic enrollment in Medicare Part A—becomes an issue. Impacted individuals who have fallen into the HSA/Medicare trap may have to issue a revised Form W-2 or incur tax implications.

What is the purpose of the six-month lookback period?

The Department of Health and Human Services backdates Medicare coverage retroactively for six months to ensure that people coming off of employer health coverage would not inadvertently find themselves uninsured while transitioning to Medicare. Under current regulations, individuals who apply for Medicare Part A or Part B after reaching age 65 are automatically given six months of retroactive health coverage, which invalidates their ability to make or receive HSA contributions for any of those months they were deemed to be covered. This would result in either refunding contributions or paying the penalty for overcontributing.

What happens when HSA holders over age 65 don't stop making contributions six months before Medicare enrollment?

In many cases employees can reverse overcontributions and avoid tax penalties—which is how the IRS views contributions made during the six-month lookback period—by contacting PayFlex, the HSA administrator. However, this will have to be done before filing income taxes for the year. Otherwise, you would have to file an amended return.

What can you do to avoid these issues?

If you are age 65 or older and enrolled in the HDHP with an HSA, plan to stop HSA contributions **six months** before enrolling in Medicare. Be mindful that enrolling in Social Security results in automatic enrollment in Medicare Part A.