

Medicare, Social Security & Health Savings Accounts for Active Employees

ORNL Benefits

October 2016

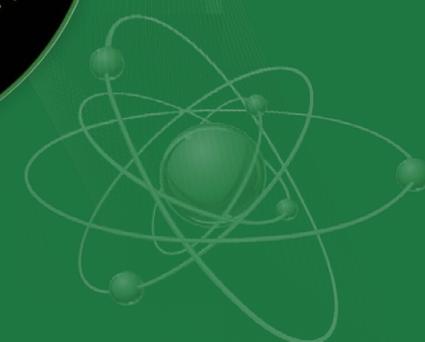
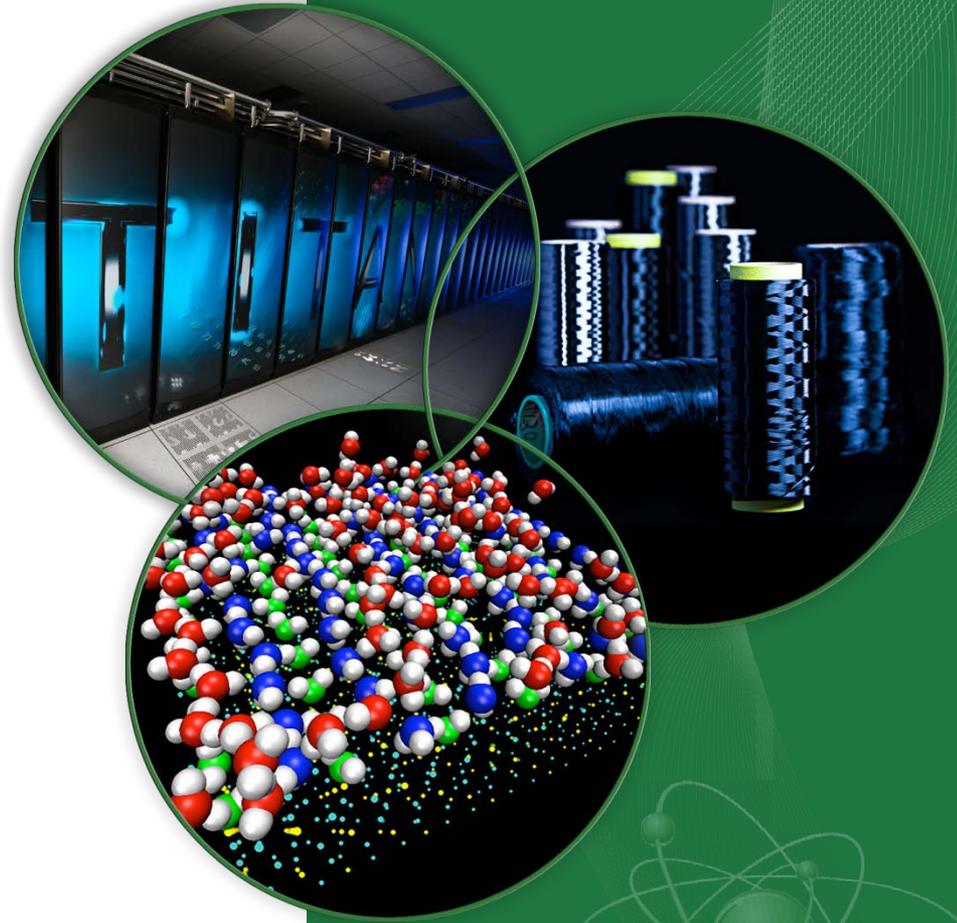


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Health Savings Accounts & Age 65

- ORNL offers a Health Savings Account (HSA) as part of the Consumer Choice high-deductible plan
- 2017 annual contribution limits (combined employee and employer contributions)
 - Employee only: \$3,400
 - Dual or Family coverage: \$6,750
 - An additional \$1,000 catch-up contribution can be made if you are over age 55
- HSAs require careful planning when you turn 65 and/or become eligible for Medicare and Social Security

What is Medicare?

Health insurance for the following:

- People 65 or older
- People under 65 with certain disabilities
- People of any age with End-Stage Renal Disease (ESRD) (permanent kidney failure requiring dialysis or a kidney transplant)
- People of any age with ALS – Lou Gehrig’s Disease

The different parts of Medicare help cover specific services:

- **Part A** – Hospital insurance
- **Part B** – Medical insurance
- **Part C** – Medicare Advantage Plans (like an HMO or PPO) – plans run by Medicare-approved private insurance companies. These plans include Part A, Part B, and usually other coverage, such as prescription drugs.
- **Part D** – Prescription Drug coverage

Medicare Parts A & B

Part A:

- How much does it cost?
 - Most people don't pay a Part A premium, because they paid Medicare taxes while working. This is called "premium-free Part A."
- How do I Get Part A?
 - If you collect Social Security you automatically receive Part A.

Part B:

- How much does it cost?
 - If you have Part B, you pay a Part B premium each month. Most people will pay the standard premium amount. The standard premium is \$121.80 per month for 2017. If your income is above a certain amount, the premium may be more.
- How Do I Get Part B?
 - If you collect Social Security you automatically receive Part B.
 - If you do NOT want Part B, you must dis-enroll following the instructions on your Medicare card.

Eligibility

- **When can I sign up for Part A and Part B?**

- When you are first eligible – You have a 7-month period that begins 3 months before you turn 65, includes the month you turn 65, and ends 3 months after you turn 65

- Between January 1 – March 31 each year – If you didn't sign up when first eligible, you can sign up during this General Enrollment period

- If you qualify for a Special Enrollment period – If your coverage ends under a group plan; you have 8 months to enroll

- **When does my coverage start for Part A & B?**

- If you enroll during 3 months before you turn 65 – coverage starts on the 1st day of your birthday month

- If you enroll the month you turn 65 – coverage starts 1 month after you sign up

- If you enroll 1, 2, or 3 months after you turn 65 – coverage starts 2 or 3 months after you sign up

- If you enroll during the General Enrollment period (January 1 – March 31) - coverage starts July 1

Eligibility - definitions

- **Eligible for Medicare**

- Means that you've met the requirements to qualify for Medicare Part A hospital insurance—in other words, you or your spouse has enough Social Security work credits—but you haven't yet applied for it.

- **Entitled to Medicare**

- Means that you're eligible, you've filed an application to receive Medicare Part A or have been approved automatically, and your name is already in the system—or that the application has been processed and you've been sent a Medicare card showing the date your coverage starts.

Medicare & Health Savings Account Rules

- As an active employee, if you are enrolled in the ORNL Consumer Choice high-deductible plan, the ORNL plan is your primary coverage.
- If you are enrolled in Medicare Part A and/or B you can enroll in the Consumer Choice plan. However, you **cannot** open or contribute to an HSA.
- According to the IRS and Center for Medicare Services (CMS) people with Medicare are **not allowed** to put money into an HSA. This is because you cannot have any health coverage other than a high-deductible plan if you are putting money into an HSA.
- However, remember you may withdraw money from your HSA after you enroll in Medicare to help pay for medical expenses (deductibles, premiums, copays or coinsurances). If you use the account for qualified medical expenses, it will continue to be tax-free.

Medicare & Health Savings Account Rules

- If you're **eligible** for Medicare *but have not filed an application for either Social Security retirement benefits or Medicare*, you do not need to do anything. You can open/contribute to the HSA and postpone applying for Social Security and Medicare until you stop working. There is no penalty for this delay as long as you're covered by an employer's health plan.
- 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 and open/contribute to an HSA. (To do so, contact Social Security Administration at 1-800-772-1213) There are no penalties or repercussions and you are free to reapply for Part A at a future date.
- But *if you have applied for, or are receiving, Social Security benefits*—which automatically entitles you to Part A—you cannot open/contribute to an HSA.
- If you have used the *'File and suspend' option and your spouse is receiving Social Security benefits* based on your benefit, you cannot open/contribute to an HSA.

Medicare & Health Savings Account Rules

- The only way you could opt out of Part A is to pay back to the government all the money you've received in Social Security payments, plus everything Medicare has spent on your medical claims. You must repay these amounts before your application to drop out of Part A can be processed. If you take this action, you're no longer entitled to Social Security or Medicare—but you can reapply for both at any time in the future.

Receiving Medicare due to disability...

- You are ineligible to open a Health Savings Account, because you have Medicare.
- The only way to open an HSA is to opt out of Part A:
 - Repay Social Security for all the disability payments you've received, even if you've never used Medicare for medical services
 - Repay Medicare for any services that you have used

Spouse is enrolled in Medicare

- As the employee, you are the HSA account holder, therefore you are eligible to open and contribute to a Health Savings Account regardless if your spouse is enrolled in Medicare.

Not Medicare Eligible yet, but close!

- You can open and contribute up to the maximum + \$1,000 catch-up contribution to a Health Savings Account.
- The month you enroll in Medicare (typically the month of your 65th birthday) you must stop contributing.
- Whether you should delay enrollment in Medicare so you can continue contributing to your HSA depends on your circumstances. If you wish to decline Medicare Part B, you can do so and enroll in Part B later when you lose your current employer coverage – this is considered a Qualifying Event.
- You need to be sure to stop all contributions to your HSA up to 6 months before you collect Social Security. When you apply for Social Security, Medicare Part A will be retroactive for up to 6 months (as long as you were eligible for Medicare during those 6 months). If you do not stop contributing to the HSA 6 months before you apply for Social Security, you may have a tax penalty. The penalty is because you were not supposed to put money into your HSA while you had Medicare.

Important contact information

- Center for Medicare Services (CMS)
 - www.cms.gov
- Medicare
 - 1-800-633-4227
 - www.medicare.gov
- Social Security Administration
 - 1-800-772-1213
 - www.ssa.gov

Disclaimer: This presentation is for informational purposes only. Please consult your financial or tax advisor if you have any questions. You may also contact the Social Security Administration or Center for Medicare Services.