MetLife | Health Savings Account (HSA)

Kansas Department of Administration State Employee Health Plan

Health Savings Account and Medicare



A Health Savings Account (HSA) can help you maximize your savings for today's healthcare expenses as well as those you may incur in retirement. When you get older, you can continue to use accumulated HSA funds to help pay for qualified healthcare expenses which includes Medicare Part A, B and D premiums. However, you should be aware of certain rules that may affect how you contribute to and use your HSA when you reach age 65.

Did you know?

15% of the average retiree's annual expenses will be used for healthcare-related expenses, including Medicare premiums and out-of-pocket expenses.[1]

For example:

1 Your Medicare/Medicaid status affects your HSA. If you are enrolled in Medicare or Medicaid, you are not eligible to contribute to an HSA. However, if you are eligible but not enrolled, you can still open or contribute to an HSA as long as you're enrolled in HDHP and otherwise eligible.

Note: You will be automatically enrolled in Medicare Part A at age 65 if you receive Social Security benefits. To delay receiving Medicare, you must delay taking Social Security. For more information about Medicare benefits, including how to enroll, contact 1-800-MEDICARE (633-4227) or visit medicare.gov.

2 Even if you are not eligible to continue contributing to your HSA, you can maintain an existing HSA and continue to spend your balance. See number 4 for additional details on HSA distributions after age 65.

3

In the year that you enroll in Medicare, your annual HSA contribution limit[2,3] must be pro-rated. This amount is determined by the number of months you were eligible to contribute to the HSA prior to the month your Medicare enrollment became effective.

Consider this: You intend to enroll in Medicare in May, therefore you will only have four full months of HSA eligibility. Your annual contribution limit will therefore be reduced from $4,500 individual contributions maximum + $1,000 catch-up contributions as follows:

- First, you must divide your maximum annual contribution by the number of months in a year $5,500 / 12 = $458.33.
- Next, multiply the results by the number of months you are eligible to contribute to the HSA $450 x 4 = $1,833.32

Using this formula, the maximum you can contribute to an HSA in the year you enroll is $1,833.32.

4

If a distribution from your HSA before you turn 65 is used to pay for something other than a qualified healthcare expense,[3] then the amount withdrawn is subject to both income tax and a 20% penalty. However, once you reach the age of 65 years or older, the amount withdrawn for non-qualified expenses is treated as income and is subject to normal income tax, but it is not subject to the 20% penalty. Remember: You will never pay taxes or penalties on any distributions for qualified healthcare expenses.

5

Other qualified healthcare expenses from an HSA include:[3]

- Out-of-pocket healthcare expenses while enrolled in Medicare (including Medicare premiums, deductibles, co-insurance and co-pays, but not “Medigap”)
- The employee’s share of health insurance premiums for employer-based coverage (for employees age 65 and over)
- Premiums for COBRA continuation health insurance coverage from a former employer
- Premiums for qualified long-term care insurance coverage (subject to the age limits in the Internal Revenue Code)

Questions?

Call HealthEquity Member Services at 1-866-346-5800 and say “Speak to a Rep” to connect with a representative for Open Enrollment assistance. Representatives are available 24/7.

[1] “How much will you spend in retirement?” *Fidelity*, September 01, 2025, https://www.fidelity.com/viewpoints/retirement/spending-in-retirement#:~:text=Tip:%20According%20to%20research%20by,year%20in%20and%20year%20out.

[2] Contribution limits are subject to change and should be checked on an annual basis on the IRS website. Limitations apply.

[3] See IRS publication 502 available at http://www.irs.gov/pub/irs-pdf/p502.pdf for a list of qualified expenses. In addition, there may be legislation or additional publications that may modify or expand available qualified expenses. Employees should refer to their employer’s plan document(s) for the latest list of qualified expenses under their plan.

Like most group benefit programs, benefit programs offered by MetLife and its affiliates contain certain exclusions, exceptions, waiting periods, reductions of benefits, limitations and terms for keeping them in force. Nothing in these materials is intended to be, nor should be construed as, advice or a recommendation for a particular situation or individual. Any discussion of taxes is for information purposes only, does not purport to be complete or cover every situation, and should not be construed as legal, tax or accounting advice. Participants should consult with their own advisors for such advice. Federal and state laws and regulations are subject to change.

© 2026 MetLife Services and Solutions, LLC

L5365950[exp0428][All States and][All Territories]