



Retirees & Retirement Frequently Asked Questions: The City of Boulder's \$1,500 Deductible Plan with HSA

- *Can I enroll in the \$1,500 Deductible Plan if I am covered by Medicare?*
 - Yes, but you cannot open an HSA while covered by any part of Medicare.

- *Can I enroll in the \$1,500 Deductible Plan if I will be covered by Medicare soon?*
 - Yes.
 - Once you enroll in Medicare, you can use your HSA to pay Medicare premiums, deductibles, copays, and coinsurance under any part of Medicare. The one Medicare expense you cannot use your HSA for is “Medigap” premiums.

- *Will the HSA contribution impact my PERA pensionable earnings?*
 - No, because your contributions are made through the City’s Section 125 cafeteria (pre-tax) plan.

- *Will the HSA contribution impact my New Hire Fire and Police pensionable earnings?*
 - No, because your contributions are made through the City’s Section 125 cafeteria (pre-tax) plan.

- *If my earnings are \$50,000 and the HSA contribution is \$1,000, what are my PERA pensionable wages?*
 - They are still \$50,000.

- *If my spouse is not covered by the HSA-eligible plan because he/she is enrolled in Medicare, can the account holder’s HSA funds still be used for Medicare premiums of the spouse?*
 - HSA funds of an account holder under age 65 may not be used for the Medicare premiums of a Medicare-enrolled spouse, according to the IRS. There is no rule stated against using HSA funds for other Medicare expenses such as copays or coinsurance, or for other qualified medical expenses of a Medicare-enrolled spouse.
 - Once you both are Medicare eligible, you will no longer be able to contribute to your HSA, but you can both use the funds for Medicare expenses including premiums.

- *Can HSA distributions be used for the “Other health coverage[s]” listed in Publication 969?*
 - Generally, HSA funds cannot be used to pay insurance premiums. Exceptions include: Long Term Care insurance premiums, COBRA continued coverage premiums, and health insurance premiums while an individual is receiving unemployment compensation.
 - If you are over 65, you can use your HSA for Medicare premiums (Part A, B, C, and D included) as long as your plan is not a “Medigap” or Medicare Supplement plan.
 - <http://www.irs.gov/pub/irs-pdf/p969.pdf>

- *Can HSA distributions be used for the non-qualified expenses after I turn 65?*
 - Yes, but you will pay income tax on the amount you use for non-qualified expenses. However, after age 65, you will no longer incur the 20% penalty.