



**Understanding
Medicare** and what it
means for your Health
Savings Account

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BMO
**Approaching Medicare
& Health Savings Account Guide**

Medicare and your Health Savings Account

As you approach Medicare eligibility, or if you are eligible for Medicare already, there is a lot to consider. If you have medical coverage through BMO's High Deductible Health Plan (HDHP), it comes with a tax-free Health Savings Account (HSA). With the HSA, you can make optional contributions, and BMO contributes as well if you're enrolled in the HDHP.

If you have an HSA, it is important to understand how enrolling in Medicare will affect your HSA. As an active employee working past age 65, you can continue coverage through BMO's HDHP. However, once you're enrolled in Medicare, it's important to understand that you can no longer contribute or receive contributions to an HSA. This is because to contribute to an HSA, you cannot have any health insurance (including a traditional Flexible Spending Account) other than a high deductible health plan. There are many IRS rules and regulations that go along with Medicare coverage, and it's important to understand how these rules may impact your benefits.

So what happens to your HSA? Use this short guide to understand your options and what to be aware of as you approach Medicare eligibility, how you can use your HSA once enrolled in Medicare and how BMO continues to contribute to your out-of-pocket health care expenses.



Who's eligible for Medicare?

In general, you're eligible for Medicare when you reach age 65. There are different rules if you are Medicare-eligible due to disability or because you have End Stage Renal Disease, so visit www.medicare.gov if you want to learn more.

What you need to know



As you approach age 65 and become eligible for Medicare, you have an important choice:

- **Enroll in Medicare, and no longer make contributions to your HSA** (but you will continue to receive a Medicare Core Contribution in your paycheck once a year if eligible).
- **Delay enrolling in Medicare (and collecting Social Security benefits) and continue contributing to your HSA** (including Employer Core Contributions). However, there are important implications you should understand, as explained in this guide.



If you're enrolled in the BMO HDHP and Medicare, you are no longer eligible to:

- ❌ Contribute to your HSA
- ❌ Receive Employer Contributions into your HSA

Keep reading this guide to learn more about these choices and for support deciding what is best for you and your family.

What is Medicare?

Medicare is federal health insurance for retirees age 65 or older who are no longer covered as an active employee of an employer health plan. There are a few parts to Medicare benefits: A, B, C and D. Here's a quick summary:

Medicare Part A

- Medicare Part A helps cover inpatient care in a hospital or skilled nursing facility (not custodial or long-term care), and some health care and hospice care. You are enrolled automatically when you become eligible for Medicare, and a monthly premium is not usually required for coverage. (See [page 7](#) to learn more about what happens if you decide to delay enrollment in Medicare.) If you are electing to receive your Social Security benefit, you are automatically enrolled in Medicare Part A.

Medicare Part B

- Medicare Part B helps cover medically necessary services such as doctor's services, outpatient care, home health service and other medical services not covered by Part A. You generally must enroll in Medicare Part B once eligible for Medicare, or a penalty will be assessed for enrolling late. You will pay a monthly premium for this coverage.

Medicare Part C

- Medicare Part C is another name for Medicare Advantage. These plans are health options approved by Medicare and run by private insurance companies. Medicare Advantage Plans replace all of your Part A and Part B benefits (and typically Part D benefits) and cover at least all of the medically necessary services that the traditional Medicare program (Parts A and B) provides. Your monthly premium for Medicare Part C replaces your Part B premium.

Medicare Part D

- This optional prescription drug coverage helps pay for medications doctors prescribe for treatment. Part D is not considered "basic" Medicare coverage and you pay a premium for this coverage.

Enrolling in Medicare

You're eligible for Medicare on the first day of the month in which you turn age 65 (or, if your birthday is the first day of the month, then you are eligible the first day of the prior month). When you're first eligible for Medicare, there is a seven-month Initial Enrollment Period for you to sign up, which begins three months before the month you turn age 65, and ends three months following your 65th birthday.

You're eligible to enroll in Medicare Part C or Part D when you're first eligible to enroll in Medicare. You can also enroll or change plans during the Medicare Open Enrollment Period each year, from October 15 – December 7. You may be eligible to make changes to your coverage during a Special Enrollment Period when certain events happen in your life; for example, if you move or lose your insurance coverage. Special rules apply for electing Part D coverage if you're enrolling in BMO retiree coverage; refer to the Summary Plan Description for more information.

For more information on how to enroll in Medicare, go to **www.medicare.gov** and click the "Apply for Medicare" link or call **1-800-MEDICARE** (1-800-633-4227).



Important!

If you are actively working and approaching Medicare eligibility, or over the age of 65, you do not have to enroll in Medicare. Your active coverage in the BMO HDHP continues as your primary coverage.

Since your coverage continues as primary*, you may choose to delay Medicare Part B and Part A (if deferring Social Security) and you will have a special enrollment period to enroll in Medicare after BMO coverage would otherwise end.

BMO's HDHP is considered credible group coverage and will allow you to avoid a late enrollment penalty for you and your dependents.

**Note: There are different rules if you are Medicare-eligible due to disability or because you have End Stage Renal Disease.*

Contributing to your HSA

If you decide to enroll in the BMO HDHP and Medicare...

If you're enrolled in the BMO HDHP and Medicare, you are no longer able to contribute to your HSA due to IRS rules. The month your Medicare coverage begins, you must change your HSA contribution to zero dollars. If you don't, you may face a tax penalty, which would apply if your contributions made to the HSA exceed the monthly limit for the months prior to turning age 65.

The limit on annual HSA contributions is reduced by 1/12 for each month during the year that you are not HSA eligible (i.e., because you enrolled in Medicare).



If you discover that you made personal HSA contributions after your Medicare coverage started, please contact Smart-Choice, your HSA administrator, for important information to make a withdrawal of the excess funds. You can also find the withdrawal forms via Workday (select the My Benefits & Retirement application, then Reimbursement Accounts).



Contributing to your HSA (cont.)

This also means that BMO can no longer contribute Employer Contributions into your HSA. However, BMO still provides a Medicare Core Contribution in the form of taxable cash on your paycheck once per year, in lieu of the Employer HSA Contribution:

- Employee only: \$500
- All other coverage tiers: \$1,000



If you are covered by Medicare or TRICARE, or will be newly enrolling in Medicare or TRICARE for the subsequent plan year, please notify BMO U.S. Benefits by emailing usbenefits@bmo.com.



For example:

If an individual applies in July and becomes entitled to Medicare Part A coverage retroactive to January 1 of that year, the individual will not be eligible to make any HSA contributions for the year. If contributions were already made for that period, you should stop contributing as soon as possible to minimize the excise tax on excess contributions.

If an individual applies in November and Medicare Part A coverage is retroactive to May 1 of that year, contributions would be limited to 4/12 of the annual limit (assuming the individual had HDHP coverage and no other disqualifying coverage for the period from January through April).

Contributing to your HSA (cont.)

If you decide to delay enrolling in Medicare and continue contributing to your HSA...

If you want to continue contributing pre-tax to your HSA once you reach age 65, you will need to delay enrolling in Medicare. You will also need to delay collecting Social Security retirement benefits to avoid automatic enrollment in Medicare Parts A and B.

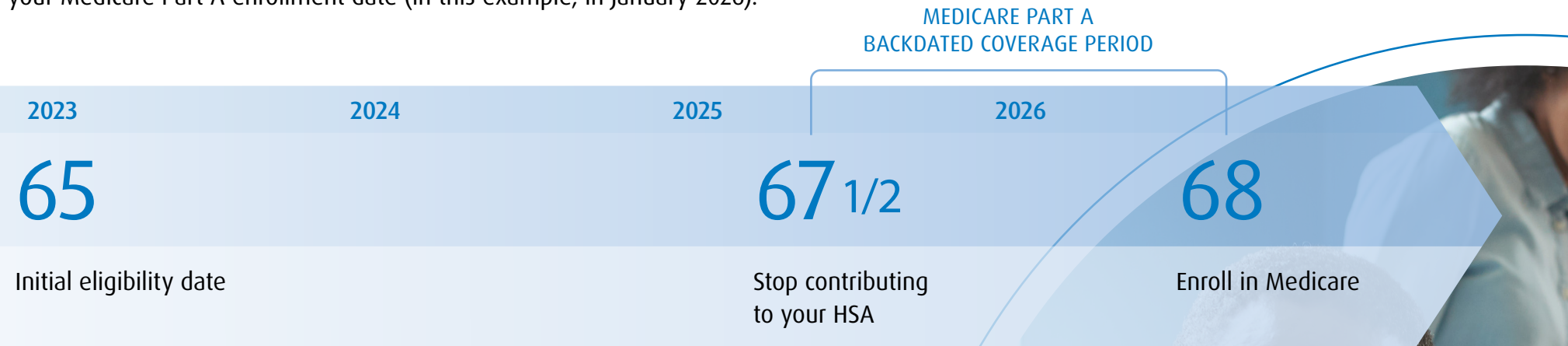
It is important to note that if you delay enrolling in Medicare at your initial eligibility date, Medicare Part A may be backdated up to six months prior to your actual enrollment date, but not earlier than your initial month of eligibility. HSA contributions are not allowed during this backdated coverage period, so you must be thoughtful in determining your contribution amount for the year.

You will need to plan accordingly because Medicare Part A can retroactively disqualify you from being HSA eligible. This involves knowing if you are at risk for retroactive coverage and planning your current and future HSA elections appropriately. Remember, premium-free Part A coverage begins six months before the month you apply for Medicare (or Social Security benefits), but no earlier than the month you turn age 65.

Contributing to your HSA (cont.)

Let's look at an example:

You turn age 65 in August 2023, but you want to delay enrolling in Medicare, and elect not to collect Social Security benefits, so you can continue to contribute to your HSA. You decide to delay enrollment until your 68th birthday in August 2026, when you retire. But you remember that Medicare Part A is backdated (or retroactive) by six months, so you must stop contributing to your HSA six months before your Medicare Part A enrollment date (in this example, in January 2026).



Now let's say you did not stop contributing to your HSA six months before you enrolled in Medicare (your 68th birthday). The limit on annual HSA contributions is reduced by 1/12 for each month during the year that you (the HSA account holder) are not HSA eligible (i.e., because you enrolled in Medicare).

So, in our example, since you enrolled in Medicare in August 2026, you're only able to contribute to your HSA for one of the 12 months of the year (because of the six months retroactive period). If the HSA limit for the year is \$3,600, you can only contribute \$300 for the year. You will receive a tax penalty if you do not plan your contributions accordingly. (Note that HSA contribution limits are set by the IRS each year, so will likely be adjusted upward by 2026.)



Using your HSA once enrolled in Medicare

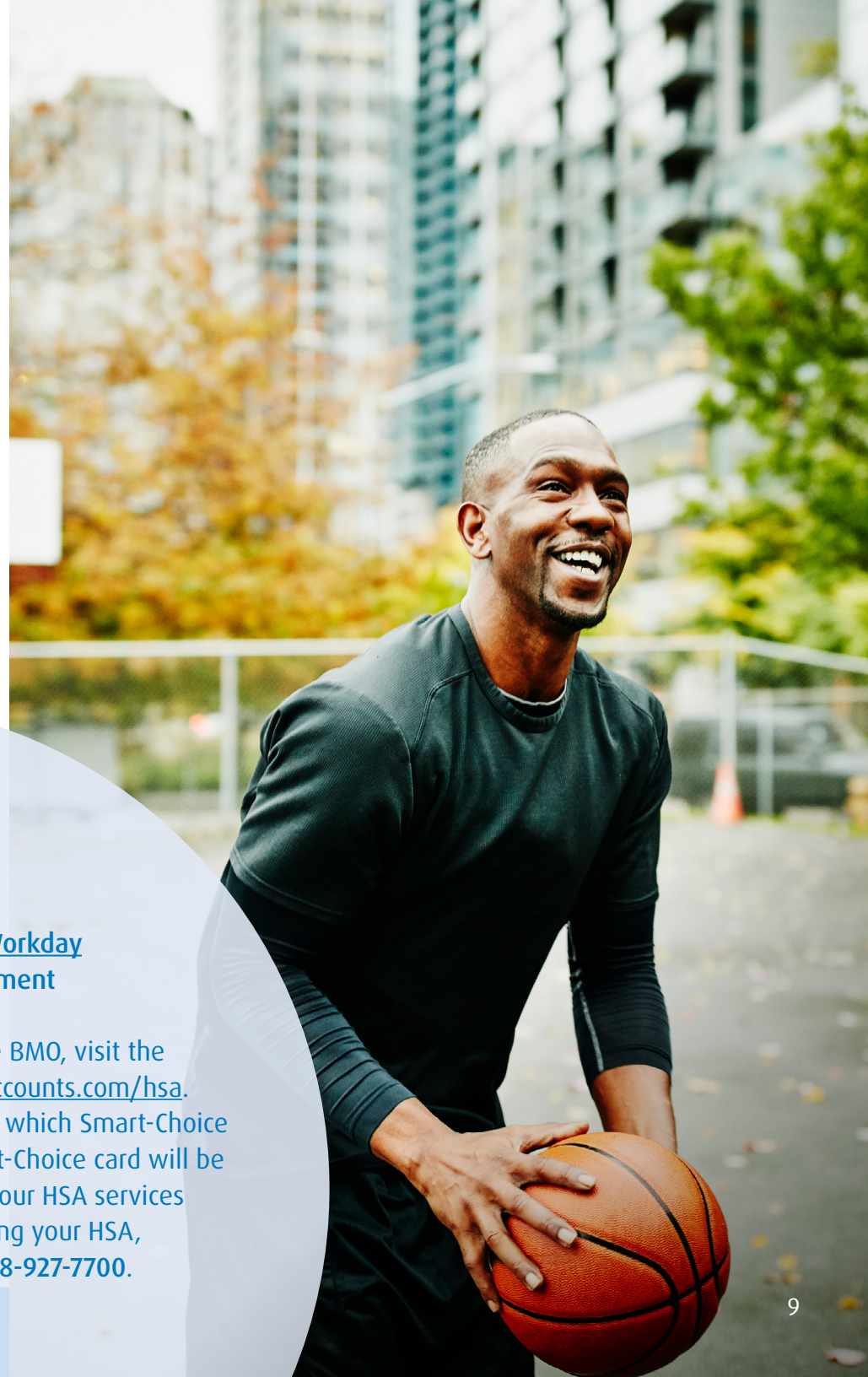
Once you reach age 65, you can take penalty-free withdrawals from your HSA for any reason, but in order to be both tax-free and penalty-free, the withdrawals must be for a qualified health care expense. You will need to pay ordinary income taxes on any withdrawals you make for non-qualified expenses.

Once enrolled in Medicare, if you have a balance in your HSA, you can continue to use your available funds to pay for your eligible medical, prescription, dental and vision expenses tax penalty-free. You can use your funds to pay for medical expenses including deductibles, Medicare premiums, copayments and coinsurance.



To view your HSA balance, go to [Workday](#) and select **My Benefits & Retirement**

To access your HSA balance once you leave BMO, visit the Smart-Choice website at www.smartchoiceaccounts.com/hsa. At the end of the month following the month in which Smart-Choice is notified of your loss of eligibility, a new Smart-Choice card will be generated — you will use the new card for your HSA services and expenses. For any questions regarding your HSA, call Smart-Choice Customer Care at **1-888-927-7700**.



Timeline

Approaching age 65

○ Age 64
+ 6 months

Get familiar
with Medicare

○ Age 64
+ 9 months

Determine if you
want to apply
for Medicare

○ Age 65

Medicare
coverage
begins

Change your HSA
contribution to
\$0 to avoid tax
penalty

○ Ongoing

Use your HSA
balance to pay
for eligible
expenses



The month your Medicare coverage begins, change your HSA contribution to zero dollars to avoid a tax penalty. To change your contribution, go to [Workday](#), click the My Benefits & Retirement application, and stop your contribution, or you can call the HRC at 1-888-927-7700.

Frequently Asked Questions

Should I just enroll in Medicare Part A and B when I'm first eligible and stop contributing to my HSA?

Enrolling Medicare is a personal decision that you should discuss with your financial advisor.

Can my spouse/domestic partner contribute to an HSA if I am eligible for Medicare?

Yes, your spouse/domestic partner is able to contribute to an HSA if they are eligible, but not through the BMO HSA. They will have to contribute to an HSA through their employer, or they can set up and contribute to an HSA with a financial institution of their choice.

If I am over age 65, can I contribute to an HSA?

Yes, as long as you are enrolled in a High Deductible Health Plan (HDP) and **NOT** enrolled in Medicare Part A, B, C or D, or any other Medicare benefit.

Can I contribute to an HSA?

Age	
< 65*	✓
65+ and NOT enrolled in Medicare	✓
65+ and enrolled in Medicare	⊘

*If otherwise eligible

If my spouse/domestic partner is enrolled in Medicare, but I am not, can I use my HSA funds to pay for my spouse/domestic partner's eligible expenses?

Yes, you are able to use your HSA funds to pay for eligible expenses for your Medicare-enrolled spouse. You can use your HSA funds to pay for eligible expenses for a domestic partner only if you claim your partner as a federal tax dependent.

What if my spouse/domestic partner is disabled and enrolled in Medicare, can I contribute to an HSA if I'm not enrolled in Medicare?

Yes, you are still able to contribute to an HSA, but you will only be able to contribute up to the annual *individual* contribution limit (vs. the family contribution limit), unless you have other dependents covered under your medical plan. Remember, any contributions you may receive from BMO are included in the total individual contribution limit, so you should plan accordingly.

What if my spouse/domestic partner is receiving Social Security, can I contribute to an HSA if I'm not enrolled in Medicare?

Yes, you are still able to contribute to an HSA, but you will only be able to contribute up to the annual *individual* contribution limit (vs. the family contribution limit), unless you have other dependents covered under your medical plan. It is important to note that if your spouse/domestic partner is receiving Social Security, then they are enrolled in Medicare Part A.

Do the same rules apply if I'm enrolled in TRICARE?

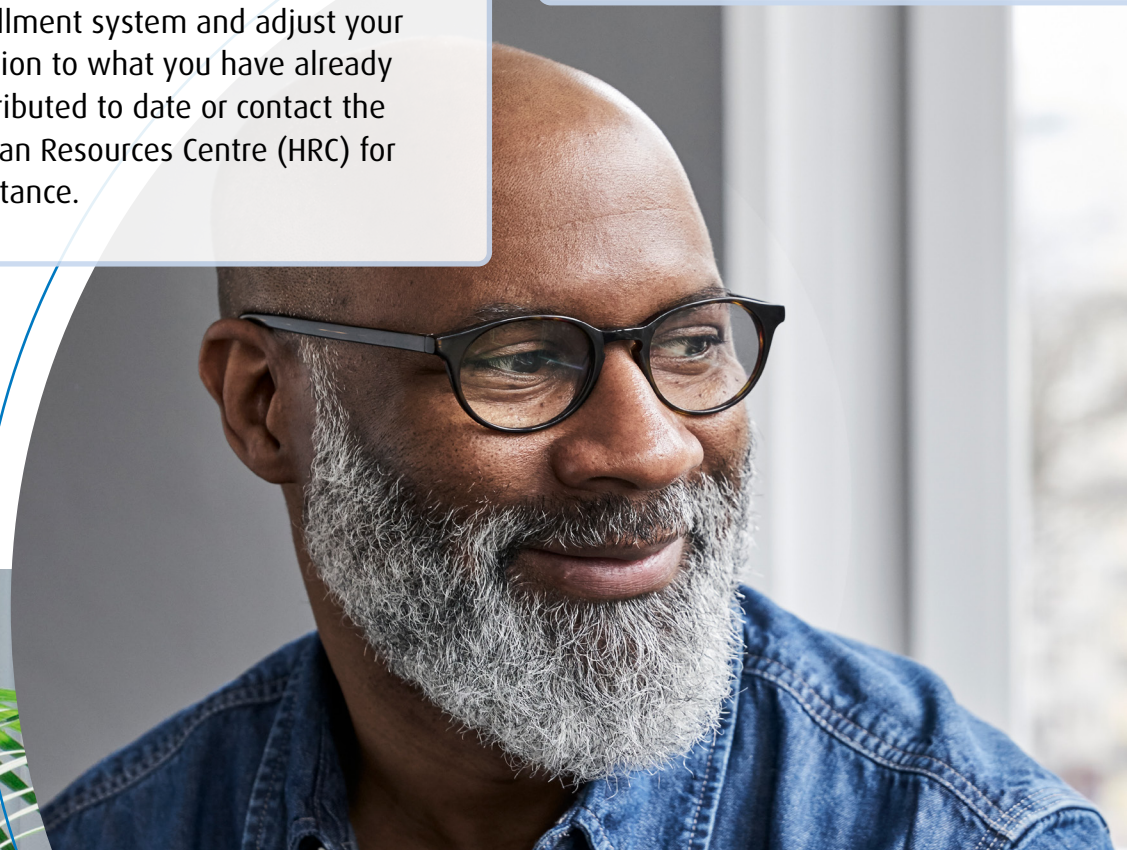
Yes, employees who are covered on Medicare or TRICARE are not allowed to contribute or receive contributions to an HSA due to IRS regulations.

What should I do if I am enrolled in Medicare and have been contributing to my HSA?

Once you reach age 65 and are enrolled in Medicare Parts A and/or B, your HSA will remain open for withdrawals, but the IRS does not permit you to make additional contributions to your HSA. You can avoid the tax penalty for contributing to your HSA after age 65 by taking a corrective distribution. If you are making contributions to your HSA, you should go into the benefit enrollment system and adjust your election to what you have already contributed to date or contact the Human Resources Centre (HRC) for assistance.

Where should I go if I have questions?

The rules governing HSAs for Medicare-enrolled individuals or individuals who may soon be enrolling in Medicare are complex, so we encourage you to review the "Enrolled in Medicare" section of [IRS Publication 969](#) for more information and/or consult with your tax advisor. You may also contact BMO U.S. Benefits by emailing usbenefits@bmo.com.



Additional Resources*

		Contact	Website
BMO Human Resources Centre		1-888-927-7700 usbenefits@bmo.com	www.bmousbenefits.com
Medicare		1-800-MEDICARE	www.medicare.gov
Smart-Choice to view your HSA balance		1-888-927-7700	www.myworkday.com

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