Medicare and the Health Savings Account

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Health Savings Account Eligibility Rules

- This document is intended for employees who are eligible for, entitled to, or enrolled in Medicare and explains how that eligibility/entitlement/enrollment limits their ability to contribute to a Health Savings Account (HSA)
- Employees who are eligible for, entitled to, or enrolled in Medicare can:
  1. Withdraw money from an HSA (subject to IRS rules governing withdrawals),
  2. Enroll in Seagate medical coverage, and
  3. Contribute to a Healthcare Flexible Spending Account (subject to IRS rules governing contributions)

Health Savings Account Eligibility Rules

To be eligible to contribute to a Health Savings Account (HSA), you must meet the following IRS requirements:

1. You are covered under a high deductible health plan (HDHP)
2. You have no disqualifying health coverage, such as major medical coverage (other than HDHP coverage) or a healthcare flexible spending account
3. You are not enrolled in Medicare
4. You cannot be claimed as a dependent on someone else's tax return

Different rules apply for those who are: Eligible, Entitled, and Enrolled

		Can the individual contribute to a Health Savings Account?*	Can the individual withdraw from a Health Savings Account?**
Eligible for Medicare	An individual who has met all the requirements (e.g., age, Social Security work credits) to qualify for Medicare Part A, but has not yet applied for Social Security or Medicare	Yes	Yes
Entitled to Medicare	An individual who has met all the requirements (e.g., age, Social Security work credits) and has filed an application to receive Social Security benefits (which results in automatic enrollment in Medicare Part A) or is already receiving benefits	No	Yes
Enrolled in Medicare	An individual who pays premiums for Medicare Part A An individual who is automatically enrolled for Medicare Part A An individual who has signed up for Medicare Part B or Medicare Part D	No	Yes

**Applies to both the Seagate contribution and personal contributions*
***Withdrawals for non-IRS-qualified expenses may be subject to taxes and penalties*

If you are entitled to or enrolled in Medicare, you are not eligible to contribute to a Health Savings Account

- The restriction on contributions applies both to the Seagate employer contribution and personal contributions of your own money
- Your personal contributions to an HSA must end on the first day of the month in which your Medicare coverage begins

If you are entitled to or enrolled in Medicare, you are not eligible to contribute to a Health Savings Account

- Even though you cannot contribute to the HSA, you may withdraw funds that you previously contributed to your HSA for:
  - IRS-qualified health expenses for yourself, your spouse, your children (before age 26), and your federal income tax dependents
  - Medicare premiums for yourself and your spouse
  - COBRA premiums for your spouse and dependents
  - Long term care insurance premiums for yourself and your spouse
- You may not use your HSA funds for Medigap/Medicare Supplement premiums
- After you reach age 65, you may withdraw HSA funds for any reason with no penalty, but state and federal taxes will apply if HSA funds are not used for qualified healthcare expenses

If you are eligible for Medicare but have postponed enrollment…

- When you apply for Social Security benefits, you are also automatically enrolled in Medicare Part A (hospital insurance)*
- This means that you become ineligible to contribute to an HSA when you begin receiving Social Security benefits
- If you want to continue to contribute to your HSA, then you must delay receiving Social Security benefits and enrolling in Medicare
- If you delay enrolling in Medicare when you are first eligible, you should enroll when your Seagate coverage ends
- If you fail to enroll in Medicare when Seagate coverage ends but enroll later, your monthly Medicare premium will be increased by the addition of a late enrollment penalty
- You may decline Medicare coverage as an active employee, and enroll later when your Seagate coverage ends

**Federal law does not allow you to enroll in Social Security and opt out of Medicare Part A*

If you have postponed Medicare enrollment and then seek to enroll later…

- You can enroll in Medicare Part A (hospital insurance) and will receive six months of retroactive Part A coverage
- You will need to stop all HSA contributions (including the Seagate contribution) up to six months before you begin receiving Social Security benefits
- If you contribute to your HSA during the six-month period prior to the date Social Security benefits start, i.e. when you have retroactive Part A coverage, you may become subject to a tax penalty − please consult your tax professional to understand what the tax impact may be

If your spouse or dependent is enrolled in Medicare…

- If you are not enrolled in Medicare but your spouse or dependent is, you are still eligible to contribute to your HSA (including the Seagate contribution and your personal contributions)
- You can use your HSA funds to pay for IRS-qualified expenses for your spouse or dependent, even if they are enrolled in Medicare

Seagate Health Savings Account

- If you have elected to contribute to an HSA, payroll deductions will continue when you reach age 65, unless you take action to stop them
- If you delay receiving Social Security benefits and Medicare enrollment and wish to continue to make personal contributions to your HSA, no action is needed
- If you enroll in Medicare, you must discontinue your personal HSA contributions via Benefits Central. Call Benefits Central for assistance at 877-844-3333.
- If you enroll in Medicare and continue to contribute to your HSA, per IRS rules, you could be subject to taxes and penalties.

For more information and advice on this important decision…

- Decisions about when to enroll in Social Security and Medicare can be very complicated
- Seagate is not, and cannot, offer you advice on how these rules may impact you
- To make sure you are aware of the implications of your decisions, Seagate strongly recommends that you seek professional financial and/or tax advice

Social Security	Medicare	Health Savings Account
For additional information about Social Security: • Go to ssa.gov • Call (800) 772-1213	For additional information about Medicare: • Go to medicare.gov • Call (800) 633-4227	For additional information about HSAs: • Go to irs.gov • Search for Publication 969 (for information about HSAs) • Search for Publication 502 (for information about IRS-qualified health care expenses)

The preceding materials are intended to provide information and general guidance about Seagate's benefits programs. To the extent that these materials appear to conflict with Seagate employee benefit plans, Seagate human resources policies, or applicable law, such sources should be considered controlling. Further, Seagate reserves the right to amend its human resources policies at any time, and such policies are intended to be administered flexibly, consistent with applicable law, at the discretion of Seagate management.