

# Facts about your HSA

**Your money works for you.**

## What is a Health Savings Account (HSA)?

A Health Savings Account is a special account used with a qualified High Deductible Health Plan. HSAs offer you a different way to pay for health care. They enable you to pay for current health expenses and save for future qualified medical expenses on a tax-free basis.

You must be covered by a qualified High Deductible Health Plan (HDHP) to take advantage of an HSA. HDHP premiums generally cost less than traditional health care premiums, so the money that you save on insurance can be put into your Health Savings Account.

You own and control the money in your HSA. Decisions on how to spend the money are made by you without relying on a third party or a health insurer, as long as you follow the IRS-established guidelines. (See IRS Publication 969.)

## What is a Qualified High Deductible Health Plan (HDHP)?

You must have an HDHP to open an HSA. An HDHP is a health insurance plan that has a higher annual deductible than a traditional health plan. Your deductible is the amount you pay for eligible expenses from your own money before any benefits will be paid under the plan. Of course, your HSA is available to help you pay for the expenses your plan does not cover, including the deductible.

### 2019 HSA qualifications:

SELF-ONLY COVERAGE	2019
Maximum annual HSA contribution	\$3,500
Minimum annual deductible for HDHP	\$1,350
Maximum annual out-of-pocket expense limit for HDHP	\$6,750
FAMILY COVERAGE	2019
Maximum annual HSA contribution	\$7,000
Minimum annual deductible for HDHP	\$2,700
Maximum annual out-of-pocket expense limit for HDHP	\$13,500

\*HDHPs can have first-dollar coverage (no deductible) for preventive care and apply higher out-of-pocket limits (and copayments and coinsurance) for out-of-network services.

Resource: <http://www.treasury.gov/resource-center/faqs/Taxes/Pages/Health-Savings-Accounts.aspx>



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## Who is eligible for a Health Savings Account?

You cannot have an HSA if your spouse's FSA or HRA can pay for any of your medical expenses before your HDHP deductible is met.

To be eligible for a Health Savings Account, you must be covered by a qualified High Deductible Health Plan (HDHP) and must not be covered by other health insurance that is not an HDHP. Certain types of insurance are not considered "health insurance" (see below) and will not jeopardize your eligibility for an HSA. You cannot be covered by Medicare or Tricare and must not be a dependent on someone else's tax return.

## Can I get an HSA if I have other insurance that pays medical bills?

You are only allowed to have auto, dental, vision, disability and long-term care insurance at the same time as a High Deductible Health Plan (HDHP). You may also have coverage for a specific disease or illness as long as it pays a specific dollar amount when the policy is triggered. Wellness programs offered by your employer are also permitted if they do not pay significant medical benefits.

## I'm on Medicare, can I have an HSA?

You are not eligible for an HSA after you have enrolled in Medicare. If you had an HSA before you enrolled in Medicare, you can keep it and use the accumulated balance to pay for qualified medical expenses. However, you cannot continue to make contributions to an HSA after you enroll in Medicare.

## My employer offers an FSA; can I have both an FSA and an HSA?

You can have both types of accounts, but only under certain circumstances. Full Flexible Spending Arrangements (FSAs) will probably make you ineligible for an HSA. If your employer offers a "limited purpose" (limited to dental, vision, or preventive care expenses) or "post-deductible" (pay for medical expenses after the plan deductible is met) FSA, then you can still be eligible for an HSA.

## My employer offers an HRA; can I have both an HRA and an HSA?

You can have both types of accounts, but only under certain circumstances. General Health Reimbursement Arrangements (HRAs) will probably make you ineligible for an HSA. If your employer offers a "limited purpose" (limited to dental, vision or preventive care) or "post-deductible" (pay for medical expenses after the plan deductible is met) HRA, then you can still be eligible for an HSA. If your employer contributes to an HRA that can only be used when you retire, you can still be eligible for an HSA.

## My spouse has an FSA or HRA through his/her employer; can I have an HSA?

You cannot have an HSA if your spouse's FSA or HRA can pay for any of your medical expenses before your High Deductible Health Plan deductible is met.

## Can I start an HSA for my child?

No, you cannot establish separate accounts for your dependent children, including children who can legally be claimed as dependents on your tax return.

## I'm a single parent with an HDHP but have a child/relative that can be claimed as a dependent for tax purposes, and this dependent also has non-HDHP coverage. Am I still eligible for an HSA?

Yes, you are still eligible for an HSA. Your dependents' non-HDHP coverage does not affect your eligibility, even if they are covered by your HDHP.

## Do unused funds in an HSA roll over year after year?

Yes, the unused balance in a Health Savings Account automatically rolls over year after year. You won't lose your money if you don't spend it within the year.

## How much can I contribute to my HSA each year?

Regardless of what point in the year your High Deductible Health Plan was opened, you and your employer are eligible to make contributions up to, but not exceeding, the maximum of \$3,500 for individual coverage, or \$7,000 for family coverage. These numbers are valid for 2019. If you are age 55 or older, you can also make additional "catch-up" contributions (see below).

## I have a very high deductible; is there a limit on how much I can contribute?

The most you (or anyone else on your behalf, including your employer) can contribute to your account for 2019 is \$3,500 if you have single coverage and \$7,000 for a family. These amounts typically increase each calendar year.

## Do my HSA contributions have to be made in equal amounts each month?

No, you can contribute in a lump sum or in any amounts or frequency you wish. However, your account trustee /custodian (bank, credit union, insurer, employer, etc.) can impose minimum deposit and balance requirements.

## Can my employer contribute to my HSA?

Contributions to HSAs can be made by you, your employer, or both. All contributions are aggregated to determine whether you have contributed the maximum allowed. If your employer contributes some of the money, you can make up the difference.

## Do my contributions provide any tax benefit?

Your personal contributions offer you an "above-the-line" deduction. An "above-the-line" deduction allows you to reduce your taxable income by the amount you contribute to your HSA. You do not have to itemize your deductions to benefit. Contributions can also be made to your HSA by others (e.g., relatives). However, you receive the benefit of the tax deduction.

## Can I make contributions through my employer on a pre-tax basis?

If your employer offers a "salary reduction" plan (also known as a "Section 125 plan" or "cafeteria plan"), you (the employee) can make contributions to your HSA on a pre-tax basis (i.e., before income taxes and FICA taxes). If you can do so, you cannot also take the "above-the-line" deduction on your personal income taxes.

## Can I claim both the above-the-line deduction for an HSA and the itemized deduction for medical expenses?

You may be able to claim the medical expense deduction even if you contribute to an HSA. However, you cannot include any contribution to the HSA or any distribution from the HSA, including distributions taken for non-medical expenses, in the calculation for claiming the itemized deduction for medical expenses.

## I'm over 55 and would like to make catch-up contributions to my HSA like I've done with my IRA. Is that possible?

Yes, individuals 55 and older who are covered by a High Deductible Health Plan can make additional catch-up contributions each year until they enroll in Medicare. The additional HSA "catch-up" contributions allowed are \$1,000 annually.

## I turned 55 this year. Can I make the full catch-up contribution?

If you had High Deductible Health Plan (HDHP) coverage for the full year, you can make the full catch-up contribution regardless of when your 55th birthday falls during the year. If you did not have HDHP coverage for the full year, you must pro-rate your "catch-up" contribution for the number of full months you were "eligible", i.e., had HDHP coverage.

## If both spouses are 55 and older, can both spouses make catch-up contributions?

Yes, if both spouses are eligible individuals and both spouses have established an HSA in their name. If only one spouse has an HSA in their name, only that spouse can make a "catch-up" contribution.

## Does tax filing status (joint vs separate) affect my contribution?

Tax filing status does not affect your contribution.

## May a self-employed person contribute to an HSA on a pre-tax basis?

No. Self-employed persons may not contribute to an HSA on a pre-tax basis and may not take the amount of their HSA contribution as a deduction for SECA purposes. However, they may contribute to an HSA with after-tax dollars and take the above-the-line deduction.

## How do I know what is included as "qualified medical expense?"

Unfortunately, we cannot provide a definitive list of "qualified medical expenses." A partial list is provided in IRS Pub 502 (available at [www.irs.gov/pub/irs-pdf/p502.pdf](http://www.irs.gov/pub/irs-pdf/p502.pdf)). A determination of whether an expense is for "medical care" is based on all the relevant facts and circumstances. To be an expense for medical care, the expense has to be primarily for the prevention or alleviation of a physical or mental defect or illness.

## What happens if I don't use the money in the HSA for medical expenses?

If the money is used for other than qualified medical expenses, the expenditure will be considered income and be taxed and, for individuals who are not disabled or over age 65, subject to a 20 percent tax penalty.

## Can I use the money in my HSA to pay for medical care for a family member?

Yes, you may withdraw funds to pay for the qualified medical expenses of yourself, your spouse or a dependent without tax penalty. This is one of the great advantages of HSAs.

## Can I pay my health insurance premiums with an HSA?

Typically you cannot use your HSA to pay health insurance premiums unless you are collecting Federal or State unemployment benefits, or you have COBRA continuation coverage through a former employer. (See IRS Publication 969.)

## Can I purchase long-term care insurance with money from my HSA?

Yes, if you have tax-qualified long-term care insurance. However, the amount considered a qualified medical expense depends on your age. (See IRS Publication 502 for the amounts deductible by age.)

## I already have an HSA but no longer have a HDHP. Can I still use the money that is already in the HSA for medical expenses tax-free?

Once funds are deposited into the HSA, the account can be used to pay for qualified medical expenses tax-free, even if you no longer have HDHP coverage. The funds in your account roll over automatically each year and remain indefinitely until used. There is no time limit on using the funds. There may be an administrative cost to maintain the HSA. (Please refer to the HSA administrator.)

## What happens to the money in my HSA if I lose my HDHP coverage?

You can continue to use your account tax-free for out-of-pocket health expenses. When you enroll in Medicare, you can use your account to pay Medicare premiums, deductibles, copays, and coinsurance under any part of Medicare. If you have retiree health benefits through your former employer, you can also use your account to pay for your share of retiree medical insurance premiums. The one expense you cannot use your account for is to purchase a Medicare supplemental insurance or "Medigap" policy. Once you turn age 65, you can also use your account to pay for things other than medical expenses. If used for other expenses, the amount withdrawn will be taxable as income but will not be subject to any other penalties. Individuals under age 65 who use their accounts for non-medical expenses must pay income tax and a 20 percent penalty on the amount withdrawn.

## Who will be the bookkeeper for my HSA?

It is your responsibility to keep track of your deposits and expenditures and keep all of your receipts.

## How do I use my HSA to pay my physician when I'm at the physician's office?

If you are still covered by your High Deductible Health Plan (HDHP) and have not met your policy deductible, you will be responsible for 100 percent of the amount agreed to be paid by your insurance policy to the physician.

Your physician may ask you to pay for the services provided before you leave the office. If your HSA administrator has provided you with a checkbook or debit card, you can pay your physician directly from the account. If the administrator does not offer these features, you can pay the physician with your own money and reimburse yourself for the expense from the account after your visit.

## If my spouse enrolled in Medicare, can I still contribute to an HSA?

Beginning with the first month you or your spouse are enrolled in Medicare, the contribution limit becomes zero for whoever is enrolled in Medicare. If your spouse is enrolled in Medicare, then you can still contribute on behalf of yourself but not your spouse.

## Resources:

IRS Publication 502 <http://www.irs.gov/publications/p502/>  
IRS Publication 969 <http://www.irs.gov/publications/p969/ar02.html>  
<http://www.treasury.gov/resource-center/faqs/Taxes/Pages/Health-Savings-Accounts.aspx>

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