UNDERSTANDING HEALTH SAVINGS ACCOUNTS

What exactly is a Health Savings Account (HSA)?

It is a savings and spending account that offers employees a tax-advantaged way to pay for qualified medical expenses as well as a way to save for future medical and retirement health care expenses that will not be subject to Federal or State tax. After the age of 65, money can be withdrawn from the account for any purpose with no tax penalty but, if not used for health care, you will pay your regular tax rate.

Who is eligible to open an HSA?

Anyone covered by a Qualified High Deductible Health Plan is eligible for an HSA as long as he/she is NOT eligible for Medicare, covered by another health insurance plan, enrolled in Tri-Care, received VA benefits in the last 90 days, eligible to be claimed as a dependent on another's tax return (does not apply to joint filing), or enrolled in a medical Flexible Spending Account (you or spouse).

What is a Qualified High Deductible Health Plan?

It is a high deductible health plan that can be thought of as a "low premium" and catastrophic coverage plan. The consumer is responsible for the first few thousand dollars in health care expenses. The health savings account is designed to cover a significant portion of those expenses.

Who can contribute to an HSA?

HSAs can be funded with pre-tax dollars by the employee and/or the employer.

How much can be contributed each year?

In 2016, individuals can contribute $3,350 (will increase to $3,400 in 2017) and families can contribute $6,750 (no change in 2017), including all contributions. These rates are subject to change every year. Individuals age 55 or older can contribute an additional $1,000 catch up each year.

How does an HSA work?

The employee can use the account to make payments for qualified health care expenses.

Who owns the HSA?

The employee owns the account, regardless of who contributes. The money can earn interest and returns over time.

What happens to HSA funds if the owner changes jobs or retires?

The account still belongs to the owner.

What can an HSA be used to pay for?

Out-of-pocket medical expenses subject to the deductible as well as other eligible dental or vision expenses, similar to expenses eligible for reimbursement under a flexible spending account.

Can an HSA ever be used to pay for non-qualified expenses?

Once the employee reaches age 65, the funds can be used for non-qualified expenses but withdrawals will be subject to tax. If the funds are used before age 65 for non-qualified expenses, the amount used will be taxed and incur a 20% penalty.

Can a retiree contribute to an HSA?

Yes, if they're covered by a high-deductible health plan and not enrolled in any part of Medicare.

Can individuals contribute to an HSA if they are on Medicare?

No, the law doesn't allow those enrolled in Medicare to contribute to an HSA, but they may continue to own and use an HSA if the account was opened before they went on Medicare.

Do employees lose HSA funds at the end of the year?

No, any remaining funds roll over into the following year and grow tax-free.

Can HSA funds be withdrawn at any time?

Absolutely. As long as they are used to pay qualified medical expenses, the money is not taxed at the federal level. If money is withdrawn before age 65 for other expenses, the regular tax rate would apply as well as a 20% penalty. After age 65, there are taxes but no penalty regardless of how the money is used.

Can an HSA earn interest?

Yes. Best of all, the interest accumulates tax-free.

Can HSA funds be invested?

Yes, in stocks, bonds, mutual funds, CDs, etc. Like retirement plan options, there are multiple investment options through Benefit Wallet. This information will be sent to you if you enroll in the HDHP.

What happens if you no longer have an HSA-eligible plan?

You keep your HSA. It's always your money. But you can no longer make contributions to your HSA if you're not participating in a HSA-eligible health plan.

*****Please note that all individual health situations are unique. Anyone on any health insurance plan is responsible to know and understand their plan and IRS requirements.**