

Health Savings Account

Frequently Asked Questions

Q. What is a Health Savings Account?

A. Health Savings Account (HSA) is a personal bank account created exclusively for individuals to pay for eligible health expenses and save for future healthcare expenses tax-free.

Q. Am I eligible to contribute to an HSA?

A. You must meet the following criteria to be eligible:

- You are enrolled within an eligible High Deductible Health Plan (HDHP)
- You are not covered by any other health insurance plan that is not an HDHP
- You are not covered by Medicare or over 65
- You are not claimed as a dependent on another person's tax return
- You were not covered by Veteran's Services (VA) during the last three months
- You are not covered under TRICARE

Q. Can I contribute to both an FSA and an HSA?

A. Yes, however, the FSA must be a Limited Purpose FSA, reimbursing dental and vision expenses only. You may also contribute to a Dependent Care FSA and contribute to an HSA.

Q. How much may I contribute to my HSA?

A. The IRS determines the HSA maximum annual contributions each year. The limits include all contributions made to your account, whether by you, your employer, or someone else.

- The 2020 limit is \$3,550 for individuals and \$7,100 for families.
- \$1,000 "Catch up" contributions can be made over the HSA limits if you will be at least 55 years of age by the end of a tax year.

Q. Can I still use the HSA for medical expense tax-free if I no longer have HDHP coverage?

A. Once funds are deposited into the HSA, the account can be used to pay for qualified medical expenses tax-free, even if you are no longer enrolled within a HDHP. The funds in your account roll over automatically each year and remain indefinitely until used. There is no time limit on using the funds.

Q. What happens when my employment is terminated or I resign?

A. The HSA is portable and will follow you even after you left your current employer.

Q. What is an Eligible Expense?

A. The IRS Publication 502 defines eligible medical expenses. The intent is to exclude cosmetic or optional treatments and include necessary medical expenses. Your HSA may also be used for premiums associated with long term care, COBRA, employer-sponsored retiree medical, and Medicare HMO, Part A or B plans (Medigap Plans excluded). In addition, you may use HSA funds to pay for health insurance premiums if you are collecting unemployment.

Individuals under age 65 who use their accounts for non-medical expenses must pay income tax and up to a 20% penalty on the non-qualified withdrawal. It is the responsibility of the individual to determine if an expense is eligible.

Q. What happens to the money in my account after I turn age 65?

A. 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, co-pays, and coinsurance under any part of Medicare (Medigap Plans excluded). If you have retiree health benefits through our former employer, you can also use your account to pay for your share of retiree medical insurance premium.

At the age of 65, you can use your account to pay for items other than medical expenses. If used for other expenses, the amount withdrawn will be considered taxable income but will not be subject to any other penalties.

