About Health Savings Accounts (HSAs)

General Questions

What is an HSA?

Simply put, a health savings account (HSA) is a tax-exempt account established for paying or reimbursing qualified medical expenses for an individual, spouse or family. To be eligible to open an HSA, you must first choose an HSA-qualified consumer driven health plan (CDHP).

HSA funds roll over from year-to-year, and you may use or keep your funds depending on your financial needs.

In short, an HSA is like a 401(k) or IRA for your medical expenses, but withdrawals for qualified expenses are tax-free.

What is a CDHP?

A consumer driven health plan (CDHP) is a health plan that typically has a higher deductible than other health plans, and the individual is responsible for paying medical expenses until their deductible is met. Yearly exams and preventative care are covered 100% through an CDHP, so the individual generally pays for treatment, prescriptions, etc. outside of annual prevention. To determine if you have an HSA-qualified CDHP, contact your health insurance provider.

What are the tax benefits?

- Contributions can be made through pre-tax payroll withholding, or they can be made after-tax and deducted on your tax return, even if you don't itemize
- Account earnings grow tax-free
- Withdrawals for eligible medical expenses are tax-free for you, your spouse or your tax dependents

What's covered by an HSA?

Eyeglasses, braces, dental cleanings, doctor bills, prescriptions, lab tests and hospital visits are just a few examples of HSA eligible expenses. For a comprehensive list, see IRS Publication 502 and IRS Publication 969.

Who is eligible for an HSA?

Federal regulations require you to meet these eligibility requirements to open and contribute to an HSA.

You must be:

- Covered under a qualified plan on the first day of the month

You cannot:

- Be covered by any other health plan, including your spouse's health insurance
- Be covered by your own or spouse's medical flexible spending account (FSA)
- Be enrolled in any part of Medicare or Tricare
- Have received Veteran's health benefits in the past 90 days for a non-service connected disability
- Be claimed as a dependent on another person's tax return

Can I use an HSA to pay my spouse's and/or children's qualified medical expenses?

Yes. In additional to paying your own expenses, you may use your HSA to pay your spouse's and/or child(ren)'s qualified expenses, regardless of their insurance coverage. For additional information regarding domestic partnerships, divorce, etc., see IRS Publication 969.

What are my responsibilities as an HSA owner?

You are responsible for determining whether you are eligible for an HSA, whether your contributions/withdrawals are qualified and for seeking tax, legal and/or investment advice as needed. You are also responsible for saving all receipts for reimbursed qualified medical expenses, in case you were to be audited by the IRS.

Who can contribute to my HSA?

- You
- Your family members
- Your employer
- Any other person including a "non-individual"

Can I contribute outside of payroll deductions?

Yes. You may contribute to your HSA outside of payroll deductions by contributing online or by mail. Just be sure to monitor your contributions to ensure you don't exceed IRS annual contribution limits.

When is the deadline for contributions?

The deadline for contributions is the federal income tax deadline, generally around April 15 each year.

Can I use my HSA for non-qualified medical expenses?

Yes, but funds used for non-qualified medical expenses must be reported on your annual income taxes and are subject to income tax and a 20% penalty. The 20% penalty doesn't apply to withdrawals made after you've reached age 65 or after your disability or death.

What is the deadline for submitting claims for reimbursement?

There is no deadline for submitting claims for reimbursement from an HSA. In the event of an IRS audit, you will be required to produce receipts for any medical expenses for the amounts that have been reimbursed from your HSA.

How is activity reported?

Our custodial bank reports withdrawals on Form 1099-SA and contributions on Form 5498-SA. These forms are mailed to the accountholder and the IRS. Form 1099-SA is mailed in January and Form 5498-SA is mailed in late May. As the accountholder, you're responsible for reporting contributions and withdrawals on Form 8889 when you file your annual income taxes. Please note that your HSA administrator is not responsible for monitoring your contribution limits or withdrawals.

What happens when I enroll in Medicare?

Once you've enrolled in Medicare, you are no longer eligible to make contributions to your HSA. You will need to adjust your annual HSA contribution limit (and catch-up amount) based on the number of months you were eligible to contribute that year. For example, if you enroll in Medicare as of July 1, your annual contribution limit will be reduced by half, because you were only eligible to make HSA contributions for six months (January 1 – June 30).

After Medicare enrollment, in addition to the normal medical expenses, you can also use your HSA funds to pay for Medicare and IRS approved health insurance premiums. Premiums for Medicare Parts A, B and D, Medicare HMO and any employer-sponsored health insurance are considered eligible medical expenses that can be paid with your existing HSA funds.

If I'm eligible for Medicare but don't enroll in Medicare Part A, B, or D, can I still contribute?

Medicare enrollment is what disqualifies you from being eligible to contribute to your HSA. Eligibility alone doesn't impact you being able to contribute to your HSA. However, please note that you cannot opt out of Medicare Part A without opting out of all Social Security benefits.

What happens to my HSA when I pass away?

If your spouse is your beneficiary, the HSA becomes his/hers and can still be used tax free for eligible medical expenses.

If your spouse is not your beneficiary, the HSA becomes part of your estate, and fair market value is calculated on your date of death.