

HSA's

Health Savings Accounts



Brought to you by the insurance specialists at
Benefit & Financial Strategies

Frequently Asked Questions about HSA Plan Usage

How do I manage my HSA?

Your Health Savings Account (HSA) is your account; the HSA dollars are your dollars. Since you are the account holder or HSA beneficiary, *you* manage your HSA account. You may choose when to use your HSA dollars or when *not* to use your HSA dollars. HSA dollars pay for any eligible expense. Most commonly, the HSA account holder will use HSA dollars to pay the out-of-pocket expenses (i.e., deductible and coinsurance) associated with their high deductible health plan.

What expenses are eligible for reimbursement from my HSA?

HSA dollars may be used for qualified medical expenses incurred by the account holder and his or her spouse and dependents. Qualified medical expenses are outlined within IRS Section 213(d). In summary the IRS Section 213(d) states that "*the expense has to be primarily for the prevention or alleviation of a physical or mental defect or illness.*"

In addition to qualified medical expenses, the following insurance premiums may be reimbursed from an HSA:

- COBRA premiums
- Health insurance premiums while receiving unemployment benefits
- Qualified long-term care premiums*
- Any health insurance premiums paid, other than for a Medicare supplemental policy, by individuals ages 65 and over

Are dental and vision care qualified medical expenses under an HSA?

Yes, as long as these are deductible under the current rules. For example, cosmetic procedures, like cosmetic dentistry, would not be considered qualified medical expenses.

What expenses are NOT eligible for reimbursement from my HSA?

The following expenses may not be reimbursed from an HSA:

- Premiums for Medicare supplemental policies
- Expenses covered by another insurance plan
- Expenses incurred prior to the date the HSA was established

What is a coverage gap?

This is the gap between total out-of-pocket expenses associated with your high deductible health plan and your HSA dollars. For example, assume that you have a \$2,000 deductible, a \$4,000 maximum out-of-pocket, and either you or your employer has contributed \$2,000 to your HSA account. If your medical costs incurred exceed \$4,000 for the year, then you are financially obligated to pay the difference between your total maximum out-of-pocket (\$4,000) and your HSA balance (\$2,000) - (\$4,000 - \$2,000 = \$2,000).*

What happens when my HSA funds run out?

You may be financially responsible for any eligible medical expenses that fall within the coverage gap.

Can I use my HSA dollars for non-eligible expenses?

Money withdrawn from an HSA account to reimburse non-eligible medical expenses is taxable income to the account holder and is subject to a 10 percent tax penalty - unless over age 65, disabled or upon death of the account holder.

When can I start using my HSA dollars?

You can use your HSA dollars immediately following your HSA account activation and once contributions have been made.

When do I contribute to my HSA account, and how often can I?

You, your employer or others can contribute to your HSA account through payroll deductions or as a lump sum deposit.* You can contribute as often as you like, provided your (and your employer's) total annual contributions do not exceed these 2010 limits:

- \$3,050 for individual coverage
- \$6,150 for family coverage

Individuals that are age 55 or older may be eligible to make "catch-up" contributions up to \$1,000.

How do I pay my physician or network facility at time of service with my HSA dollars?

You may request that the network provider submit your claim to your health plan. You should make sure that your provider has your most up-to-date insurance information. Once the medical claim has been processed, if applicable, out-of-pocket expenses will be billed. At this time you may choose to use your HSA debit card or HSA check* to pay for any out-of-pocket expenses, or you may choose to pay with your own money and receive reimbursement at a later date. You should always ask that your medical claim be submitted to the health plan before you seek reimbursement from your HSA. This procedure will ensure that provider discounts are applied. Also, remember to keep all medical receipts and Explanation of Benefits (EOBs).

What if I have HSA dollars left in my account at year-end?

The money is yours to keep. It will continue to earn interest and will be available for you and your health care costs next year.

How do my remaining HSA dollars rollover at year-end?

Any dollars left in your HSA account at year-end will automatically roll over into next year's HSA account.*

What happens to my HSA dollars if I leave my employer?

The funds are yours to keep. You may elect one of the following options:

- Leave your funds in the current HSA account
- Transfer your funds to an HSA with your new employer
- Transfer your funds to another qualifying account within 60 days

Can my HSA dollars be used for retirement health care costs?

Yes, only for expenses eligible for reimbursement.

Can I use the money in my account to pay for my dependents' medical expenses?

You can use the money in the account to pay for medical expenses of yourself, your spouse or your dependent children. You can pay for expenses of your spouse and dependent children even if they are not covered by your HDHP.

Can couples establish a "joint" account and both make contributions to the account, including "catch-up" contributions?

"Joint" HSA accounts are not permitted. Each spouse should consider establishing an account in their own name. This allows you to both make catch-up contributions when each spouse is 55 or older.

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. General Flexible Spending Accounts (FSAs) 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) FSA, then you can still be eligible for an HSA.

Can I shift my IRA funds to my HSA?

Owners of individual retirement accounts that are enrolled in a high deductible health plan can shift IRA funds to an HSA without facing a tax penalty. The IRS allows a one-time transfer that does not exceed your maximum HSA contribution limit.

Can I borrow against the money in my HSA?

No. You may not borrow against it or pledge the funds in it. For more information on prohibited activities, see Section 4975 of the Internal Revenue Code.

Can the funds in an HSA be invested?

Yes, you can invest the funds in your HSA. The same types of investments permitted for IRAs are allowed for HSAs, including stocks, bonds, mutual funds, and certificates of deposit.

** May vary depending on HSA plan design and benefit plan design. Refer to your Summary Plan Description or HR administrator for specifics pertaining to your plan.*