



Health Savings Account

What is a Health Savings Account (HSA)?

An HSA is an alternative to traditional health insurance. It is a savings product that works like an Individual Retirement Account ("IRA"), except that money is used to pay for qualified health care costs. HSAs enable you to pay for current health expenses and save for future qualified medical and retiree health expenses on a tax-free basis. Everyone covered by a Qualified High Deductible Health Plan (QHDHP) is eligible to take advantage of HSAs.

What is a Qualified High Deductible Health Plan?

A QHDHP is a low-cost health insurance plan that subjects your expenses to a high annual deductible first but then will generally cover additional expenses after the deductible through the end of the plan year. Preventive care expenses are not subject to the annual deductible. An HSA helps you cover the deductible and other qualified expenses that the QHDHP does not cover.

Who is eligible for an HSA?

To be eligible for an HSA, an individual must be covered by a Qualified High Deductible Health Plan and must not be covered by other health insurance that is not a QHDHP. If you are enrolled in Medicare or Medicaid, you are not eligible for an HSA. If you have coverage under Tricare, you are not eligible for an HSA. You cannot establish separate accounts for your dependent children, including children who can legally be claimed as a dependent on your tax return.

What are the tax benefits of an HSA?

1. Contributions to an HSA are tax-free
2. Your HSA account grows tax-free
3. Qualified distributions from your HSA account are tax-free

How do I get an HSA?

Your employer can set up a plan for its employees. You can also sign up for an HSA with banks, credit unions, insurance companies and other approved companies.

Is there a deadline to spend the money in my HSA?

There is no requirement on when the funds must be used. The balance can be rolled over year to year.

Does an HSA pay for the same things that regular insurance pays for?

Yes and more. HSA funds can pay for any qualified medical, dental or vision expense even if they are not covered by your health insurance. IRS Publication 502, at www.irs.gov, provides a partial listing of qualified medical expenses.

How do I find and compare the cost of common medical services?

Login to www.highmarkbcbs.com and find the Care Cost Estimator under the **Spending** tab.

Do I need to provide immediate substantiation for HSA expenses similar to the requirements of a Flexible Spending Account?

No. Federal law assigns responsibility for HSA compliance to individual HSA owners. You must know whether a distribution is for a qualified expense or not. If it is not, it is included in taxable income and subject to an additional 20% tax if you are under age 65 and not disabled. Since the HSA owner self-reports their activity on their personal income tax return, you should keep records such as explanation of benefits statements, detailed dental bills, receipts for prescriptions, etc. in the event that the IRS would audit your personal income tax return.

What if my dependent child is no longer a tax dependent but is still eligible for and enrolled under my employer's QHDHP?

You cannot make HSA distributions for anyone who is not your tax dependent. If you are not claiming your child on your taxes, you cannot use your HSA account to pay for their health expenses. Your adult child may open and fund their own HSA as long as they meet the criteria to do so.



How much can I contribute to my HSA?

Once you obtain coverage under the QHDHP, for 2020 you can deposit up to \$3,550 for singles or \$7,100 for families into your HSA. Under the annual catch-up provision, those who are age 55-65, can make an additional contribution of \$1,000.

What if I leave employment. Do I lose the money in my HSA?

No, you have ownership of the HSA and your employer cannot take back any contributions that have been made to the account.

Can I roll the money in an HSA into an IRA?

You cannot roll the HSA funds over into an IRA. They will stay in the HSA or can be rolled into another HSA.

When can I make contributions to my HSA?

You can contribute to your HSA over the course of a year, or all at once. You do not have to make equal contributions to your account every month. If your employer or anyone else contributes some of the money, you can only contribute the difference up to the annual maximum contribution.

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. A minimum balance may be required and available investment options will vary with the company that holds your HSA.