



Health Savings Account FAQ

What is an HSA?

Health Savings Accounts (HSAs) are tax-advantaged medical savings accounts available to those who have a qualified High Deductible Health Plan (HDHP). The HDHP can be one you have through your employer or one you have purchased on your own. The funds in your HSA can be used to pay for qualified medical expenses without federal tax liability.

What is a high-deductible health plan?

A high deductible health plan (HDHP) is a health insurance plan that has higher deductibles than average. These plans also have a maximum for annual out-of-pocket expenses.

Who is eligible to open an HSA?

You must be enrolled in a qualified High Deductible Health Plan (HDHP). In addition, you must meet the following requirements:

- ▶ You must be covered by a qualified HDHP on the first day of the month.
- ▶ You are not covered by any other health insurance.
- ▶ You cannot be claimed as a dependent on another person's tax return unless it is your spouse's.
- ▶ You cannot have received medical benefits from Veterans Administration at any time within the past three months. This exclusion does not apply if you received medical benefits for service-connected disabilities.

What other kinds of health coverage can I have and still be eligible to open an HSA?

In addition to being enrolled in an HDHP, you may also have "permitted insurance" or "permitted coverage". As defined by the IRS, "permitted insurance" is coverage related to compensation from workers' compensation, tort liabilities, liabilities relating to ownership or use of property, insurance for a specified disease or illness, and insurance that pays a fixed amount per day of hospitalization. "Permitted coverage" is coverage for accidents, disability, dental care, vision care, or long-term care. For more information on this, please visit the following link: <https://www.irs.gov/pub/irs-drop/rr-04-38.pdf>

What are the advantages of an HSA?

With a Health Savings Account, you'll have:

- ▶ The 3 following tax advantages:
 - Contributions from your employer are 100% tax deductible.
 - Your accrued interest is tax-deferred.
 - Qualified medical expenses are tax-free.
- ▶ Unused funds that will roll over year to year.
- ▶ Access to HSA funds with no time limit for use.
- ▶ Health Care Provider of your choice
- ▶ Debit card for your convenience to pay for prescriptions, doctor bills, or any other medical expenses.
- ▶ Additional retirement savings. Funds can be withdrawn for any purpose without penalty after age 65.

Are there different account types of HSA?

There are two different account types: Individual or Family. The difference between these is the IRS contribution limits per year.

Is my HSA considered a savings account or a checking account?

While your Health Savings Account is used for saving money for medical expenses, it has debit card access and check writing capability and is technically considered a checking account. When requesting online access via online banking, setting up ACH credits or debits, or accessing your account at the ATM with your debit card, you need to identify it as a checking account or you may encounter issues processing your request.

What are “catch up” contributions?

Eligible individuals who are between the ages of 55 and 65 are allowed to make additional “catch-up” contributions to their HSAs. The catch-up contribution limits for HSAs can be found on the IRS Government website.

Do I need earned income in order to contribute to an HSA?

No. Contributions can be made by you, or on your behalf, even if you have no income.

Who can contribute to my HSA?

In addition to yourself, anyone can contribute to your health savings account on your behalf.

Are there limits to how much I can contribute to my HSA?

Yes, there are limits that are set by the IRS. These limits determine the maximum amount that can be contributed to an HSA during the calendar year. These limits can be found on the IRS Government website or you can call one of our branches for more detailed information.

When can I start to use the funds in my HSA?

You can start using the funds in your HSA once your account is open, a deposit has been made and funds are available.

What types of medical expenses are eligible under an HSA?

The funds in your HSA can be used to pay for any qualified medical expense. Qualified medical expenses are a defined term created by the IRS and some examples are medical care, prescription drugs, and payment for long-term care. For a full list of qualified medical expenses, please review IRS Publication 502, which can be found at the link below: <https://www.irs.gov/pub/irs-pdf/p502.pdf>.

What happens to my HSA if I no longer have HDHP coverage?

Even if you are no longer covered by an HDHP, the funds in your HSA account can be used to pay for qualified medical expenses tax-free. Once you are no longer enrolled in an HDHP, you can no longer make contributions to your HSA. However, there is no time limit for using your funds and, therefore, you can use your HSA to cover future expenses.