



Frequently Asked Questions

What is a Health Savings Account (HSA)?

A Health Savings Account (HSA) is an alternative to traditional health insurance; it is a savings product that offers a different way for consumers to pay for their health care. HSAs enable you to pay for current health expenses and to save for future qualified medical and retiree health expenses on a tax-free basis. You must be covered by a High Deductible Health Plan (HDHP) to be able to take advantage of HSAs. An HDHP generally costs less than what traditional health care coverage costs, so the money that you save on insurance can therefore be put into the Health Savings Account.

You own and control the money in your HSA. Decisions on how to spend the money are made by you, without relying on a third party or health insurer. You also decide if and when to invest the money in your account to make it grow.

What is a High Deductible Health Plan (HDHP)?

A High Deductible Health Plan (HDHP) is an alternative to traditional Health Maintenance Organization (HMO) and Preferred Provider Organization (PPO or sometimes referred to as a Participating Provider Organization) plans. In exchange for a lower monthly premium, you accept responsibility for a higher amount of "first dollar" expenses. These are medical expenses you must pay until you have met your annual deductible. Federal law sets the minimum requirement for what constitutes an HDHP. For 2009, that minimum deductible is:

- 1) \$1,150 for individual coverage
- 2) \$2,300 for family coverage

In general, all medical expenses covered by the HDHP are applied toward the deductible — including prescriptions. These expenses can be paid with your tax-free HSA funds.

Premiums, except for very specific types of health insurance (COBRA, eligible long-term care, unemployment), do not count toward the deductible and cannot be paid out of your HSA.

How can I get a Health Savings Account?

Consumers can sign up for a Health Savings Account with credit unions (such as SEFCU), banks, insurance companies, and other approved companies. Your employer may also set up a plan for employees as well.

How much does an HSA cost?

An HSA is not something you purchase; it is a savings account into which you can deposit money on a tax-preferred basis. However, to open an HSA, you must purchase a High Deductible Health Plan (HDHP).

Who is eligible for a Health Savings Account (HSA)?

To be eligible for a Health Savings Account (HSA), an individual must be covered by an HSA-qualified High Deductible Health Plan (HDHP) and must not be covered by other health insurance that is not an HDHP. Certain types of insurance are not considered "health insurance" (see below) and will not jeopardize your eligibility for an HSA.

Can I get an HSA even if I have other insurance that pays medical bills?

You are only allowed to have automobile, dental, vision, disability, and long-term care insurance at the same time as an HDHP. You may also have coverage for a specific disease or illness as long as it pays a specific dollar amount when the policy is triggered. Wellness programs offered by your employer are also permitted (if they do not pay significant medical benefits).

Does the HDHP policy have to be in my name to open an HSA?

No, the policy does not have to be in your name. As long as you have coverage under the HDHP policy, you can be eligible for an HSA (assuming you meet the other eligibility requirements for contributing to an HSA). You are still eligible for an HSA even if the policy is in your spouse's name.

I do not have health insurance. Can I get an HSA?

You cannot establish and contribute to an HSA unless you have coverage under an HDHP.

I am on Medicare. Can I have an HSA?

You are not eligible for an HSA after you have enrolled in Medicare. If you had an HSA before you enrolled in Medicare, you can keep it. However, you cannot continue to make contributions to an HSA after you enroll in Medicare.

I am a veteran. Can I have an HSA?

If you have received any health benefits from the Veterans Administration or one of their facilities, including prescription drugs, in the last three months, you are not eligible for an HSA.

I am active-duty military and have Tricare coverage. Can I have an HSA?

At this time, Tricare does not offer any HDHP options, so you are not eligible for an HSA.

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.

My employer offers an HRA. Can I have both an HRA and an HSA?

You can have both types of accounts, but only under certain circumstances. General Health Reimbursement Arrangements (HRAs) 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) HRA, then you can still be eligible for an HSA. If your employer contributes to an HRA that can only be used when you retire, you can still be eligible for an HSA.

My spouse has an FSA or HRA through their employer. Can I have an HSA?

You cannot have an HSA if your spouse's FSA or HRA can pay for any of your medical expenses before your HDHP deductible is met.

I do not have a job. Can I have an HSA?

Yes, if you have coverage under an HDHP. You do not have to have earned income from employment — in other words, the money can be from your own personal savings, income from dividends, unemployment, or welfare benefits, etc.

Does my income affect whether I can have an HSA?

There are no income limits that affect HSA eligibility. However, if you do not file a federal income tax return, you may not receive all the tax benefits HSAs offer.

Can I start an HSA for my child?

No, you cannot establish separate accounts for your dependent children, including children who can legally be claimed as a dependent on your tax return.

I am a single parent with HDHP coverage, but have a child/relative that can be claimed as a dependent for tax purposes, and this dependent also has non-HDHP coverage. Am I still eligible for an HSA?

Yes, you are still eligible for an HSA. Your dependent's non-HDHP coverage does not affect your eligibility, even if they are covered by your HDHP.

How much can I contribute to my HSA each year?

For 2009, you may contribute up to \$3,000 if you have self-only HDHP coverage and up to \$5,950 if you have a family HDHP. If you are age 55 or older, you can also make additional "catch-up" contributions. Details of catch-up contributions are covered below.

I have a very high deductible. Is there a limit to how much I can contribute?

The most you can put into your account for 2009 is \$3,000 if you have single coverage and \$5,950 for a family plan. Until April 15, 2009, contributions you make to your HSA can count toward the 2008 limit.

The contribution limits are set annually by the Treasury Department, and are adjusted for inflation.

Do my HSA contributions have to be made in equal amounts each month?

No, you can contribute in a lump sum or in any amount or frequency you wish. However, your account trustee/custodian (credit union, bank, insurer, etc.) can impose minimum deposit and balance requirements.

Does my contribution depend on when I establish my HSA account or when my HDHP coverage begins?

You may contribute to your HSA account on the date your HDHP plan becomes effective. If you are covered on December 1st of the year your HDHP coverage begins, you are treated as an eligible individual for the entire year and can contribute up to the contribution limit for that year. However, if you cease to be eligible for an HSA over the next 12 months, your contribution limit will be pro-rated. Any contributions in excess of the pro-rated amount will be counted as taxable income and subject to an additional 10% tax.

Can my employer contribute to my HSA?

Contributions to HSAs can be made by you, your employer, or both. All contributions are aggregated to determine whether you have contributed the maximum amount allowed. If your employer contributes some of the money, you can make up the difference.

Do my contributions provide any tax benefits?

Your personal contributions offer you an “above-the-line” deduction. An above-the-line deduction allows you to reduce your taxable income by the amount you contribute to your HSA. You do not have to itemize your deductions to benefit. Contributions can also be made to your HSA by others (e.g., relatives). However, you receive the benefit of the tax deduction.

If my employer contributes to my HSA, does that also provide me any tax benefit?

If your employer makes a contribution to your HSA, the contribution is not taxable to you, the employee. (It is excluded from your income.)

Can I make contributions through my employer on a “pre-tax” basis?

If your employer offers a “salary reduction” plan (also known as a “Section 125 plan” or “cafeteria plan”), you (the employee) can make contributions to your HSA on a pre-tax basis (i.e., before income taxes and FICA taxes). If you can do so, you cannot also take the above-the-line deduction on your personal income taxes.

Can I claim both the “above-the-line” deduction for an HSA and the itemized deduction for medical expenses?

You may be able to claim the medical expense deduction even if you contribute to an HSA. However, you cannot include any contribution to the HSA or any distribution from the HSA, including distributions taken for non-medical expenses, in the calculation for claiming the itemized deduction for medical expenses.

I am over 55 and would like to make “catch-up” contributions to my HSA, like I’ve done with my IRA. Is that possible?

Yes, individuals 55 and older who are covered by an HDHP can make additional, or “catch-up” contributions, each year until they enroll in Medicare. The contributions are as follows:

- 1) 2008 — \$900
- 2) 2009 and beyond — \$1,000

I turned 55 this year. Can I make the full “catch-up” contribution?

If you had HDHP coverage for the full year, you can make the full catch-up contribution regardless of when your 55th birthday falls during the year. If you did not have HDHP coverage for the full year, you must pro-rate your catch-up contribution for the number of full months you were “eligible”, i.e., had HDHP coverage. However, if you are covered on December 1st, you are treated as an eligible individual for the entire year and get the full contribution.

If both spouses are 55 or older, can both spouses make “catch-up” contributions?

Yes, if both spouses are eligible individuals and both spouses have established an HSA in his/her name. If only one spouse has an HSA in his/her name, only that spouse can make a catch-up contribution.

If each spouse has self-only HDHP coverage (neither spouse has family coverage), how much can we contribute?

Each spouse is eligible to contribute to an HSA in his/her own name, up to the statutory limit (\$3,000 for 2009). (The catch up contributions are in addition to these limits.)

If both spouses have family HDHP coverage but one spouse has other coverage, are both spouses eligible for an HSA? How much can each spouse contribute?

The following examples describe how much can be contributed under varying circumstances. Assume that neither spouse qualifies for catch-up contributions.

Example 1: Husband and wife have family HDHP coverage with a \$5,000 deductible. Husband has no other coverage. Wife also has self-only coverage with a \$200 deductible. Wife, who has coverage under a low-deductible plan, is not eligible and cannot contribute to an HSA. Husband may contribute \$5,950 to an HSA.

Example 2: Husband and wife have family HDHP coverage with a \$5,000 deductible. Husband has no other coverage. Wife also has self-only HDHP coverage with a \$2,200 deductible. Both husband and wife are eligible individuals. Husband and wife are treated as having only family coverage. The combined HSA contribution by husband and wife cannot exceed \$5,950, to be divided between them by agreement.

Example 3: Husband and wife have family HDHP coverage with a \$5,000 deductible. Husband has no other coverage. Wife also has family HDHP coverage with a \$3,000 deductible. Both husband and wife are eligible individuals. The maximum combined HSA contribution by husband and wife is \$5,950, to be divided between them by agreement.

Example 4: Husband and wife have family HDHP coverage with a \$5,000 deductible. Husband has no other coverage. Wife also has family coverage with a \$200 deductible. Husband and wife are treated as having family coverage with the lowest annual deductible (\$200). Neither husband nor wife is an eligible individual and neither may contribute to an HSA.

Example 5: Husband and wife have family HDHP coverage with a \$5,000 deductible. Husband has no other coverage. Wife also is enrolled in Medicare. Wife is not an eligible individual and cannot contribute to an HSA. Husband may contribute \$5,950 to an HSA.

Does tax filing status (joint vs. separate) affect my contribution?

Tax filing status does not affect your contribution.

May a self-employed person contribute to an HSA on a "pre-tax" basis?

No. Self-employed persons may not contribute to an HSA on a pre-tax basis and may not take the amount of their HSA contribution as a deduction for Self-Employment Contributions Act (SECA) purposes. However, they may contribute to an HSA with after-tax dollars and take the "above-the-line" deduction.

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

HSA funds can pay for any "qualified medical expense," even if the expense is not covered by your HDHP. For example, most health insurance does not cover the cost of over-the-counter medicines, but HSAs can. If the money from the HSA is used for qualified medical expenses, then the money spent is tax-free.

How do I know what is included as "qualified medical expenses"?

Unfortunately, we cannot provide a definitive list of qualified medical expenses. A partial list is provided in IRS Publication 502 (available at www.irs.gov). There have been thousands of cases involving the many nuances of what constitutes "medical care" for purposes of section 213(d) of the Internal Revenue Code. A determination of whether an expense is for "medical care" is based on all the relevant facts and circumstances. As a general note, to be an expense for medical care, the expense has to be primarily for the prevention or alleviation of a physical or mental defect or illness. The determination often hangs on the word "primarily."

Who decides whether the money I am spending from my HSA is for a "qualified medical expense"?

You are responsible for that decision, and therefore should familiarize yourself with what qualified medical expenses are (as partially defined in IRS Publication 502). You should also keep your medical-related receipts in case you need to defend your expenditures or decisions during an audit.

What happens if I do not use the money in the HSA for medical expenses?

If you use the money for something other than qualified medical expenses, the expenditure will be taxed. For individuals who are not disabled or over the age of 65, the "ineligible" expenditure will also be subject to a 10% tax penalty.

Are dental and vision care considered “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.

Can I use the money in my HSA to pay for medical care for a family member?

Yes, you may withdraw funds to pay for the qualified medical expenses of yourself, your spouse, or a dependent without tax penalty. This is one of the great advantages of HSAs.

Can I use my HSA to pay for medical services provided in other countries?

Yes.

Can I pay my health insurance premiums with an HSA?

You can only use your HSA to pay health insurance premiums if you are collecting federal or state unemployment benefits, you have COBRA continuation coverage through a former employer, or for certain types of long-term care coverage.

Can I purchase long-term care insurance with money from my HSA?

Yes, if you have tax-qualified long-term care insurance. However, the amount considered a qualified medical expense depends on your age. See IRS Publication 502 for the amounts deductible by age.

I have an HSA but no longer have HDHP coverage. Can I still use the money that is already in the HSA for medical expenses tax-free?

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

What happens to the money in my HSA if I lose my HDHP coverage?

Funds deposited into your HSA remain in your account and automatically roll over from one year to the next. You may continue to use the HSA funds for qualified medical expenses. You are no longer eligible to contribute to an HSA for the months that you are not an eligible individual, because you are not covered by an HDHP. If you have coverage by an HDHP for less than a year, the annual maximum contribution is reduced; if you made a contribution to your HSA for the year based on a full year's coverage by the HDHP, you will need to withdraw some of the contribution to avoid the tax on excess HSA contributions. If you regain HDHP coverage at a later date, you can begin making contributions to your HSA again.

Do unused funds in an HSA roll over year after year?

Yes, the unused balance in a Health Savings Account automatically rolls over annually. You will not lose your money if you do not spend it within the year.

What happens to the money in an HSA after I turn 65?

You can continue to use your account tax-free for eligible 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. If you have retiree health benefits through your former employer, you can also use your account to pay for your share of retiree medical insurance premiums. The one expense you cannot use your account for is to purchase a Medicare supplemental insurance or “Medigap” policy. Once you turn 65, you can also use your account to pay for things other than medical expenses. If used for other expenses, the amount withdrawn will be taxable as income, but will not be subject to any other penalties. (Individuals under age 65 who use their accounts for non-medical expenses must pay income tax and a 10% penalty on the amount withdrawn.)

Can I use my HSA to pay for medical expenses incurred before I set up my account?

No. You cannot reimburse qualified medical expenses incurred before your account is established. We recommend you establish your account as soon as you have setup an HDHP.

Who will be the “bookkeeper” for my HSA?

It is your responsibility to keep track of your deposits, expenditures, and keep all of your receipts. Your HSA trustee/custodian will send you the necessary year-end reports needed to file your taxes properly.

How do I use my HSA to pay my physician when I'm at the physician's office?

If you are covered by your HDHP and have not met your policy deductible, you will be responsible for 100% of the amount agreed to be paid by your insurance policy to the physician. Your physician may ask you to pay for the services provided before you leave the office. If your HSA trustee/custodian has provided you with a checkbook or debit card, you can pay your physician directly from the account. If the trustee/custodian does not offer these features, you can pay the physician with your own money and reimburse yourself for the expense from the account after your visit. If your physician does not ask for payment at the time of service, the physician will probably submit a claim to your insurance company, and the insurance company will apply any discounts based on their contract with the physician. You should then receive an "Explanation of Benefits" from your insurance plan stating how much the negotiated payment amount is, and that you are responsible for 100% of this negotiated amount. If you have not already made any payment to the physician for the services provided, the physician may then send you a bill for payment.

What do I have to do to establish my account?

Your account trustee/custodian will determine what you need to do, which may include completing and processing appropriate paperwork, and making a minimum deposit. Your trustee/custodian may offer online account enrollment to expedite the process.

Who can help me establish my account?

Insured credit unions and banks are automatically qualified to handle HSAs. Any credit union (such as SEFCU), bank, or any other entity that currently meets the IRS standards for being a trustee or custodian for an IRA or Archer Medical Savings Account (MSA) can be an HSA trustee or custodian. The law also allows insurance companies to be HSA trustees or custodians.

My credit union/bank does not offer HSAs. Can I be my own trustee or custodian?

No, you must establish your HSA with an approved institution.

What is the difference between an HSA "custodian" and an HSA "trustee"?

The differences between a custodian and a trustee are minor. A trust is a legal entity under which assets are actually owned and held on behalf of a beneficiary. The trustee has some level of discretionary fiduciary authority over the assets of the fund. The trustee must exercise that authority in the best interests of the beneficiary. A custodial arrangement, on the other hand, is like a trust, but the custodian simply holds the assets on behalf of the owner of the assets. Other than holding the assets and doing as the owner orders, the custodian has no fiduciary obligations to the owner. The state law determines what constitutes a trust or custodial arrangement.

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 his/her own name. This allows you both to make catch-up contributions when each spouse is 55 or older.

Must couples open separate accounts?

If both husband and wife are eligible to contribute to an HSA, they are both eligible to establish separate HSAs. However, if both spouses want to make catch-up contributions when they are age 55+, they must establish separate accounts.

How soon can I open my account?

Your account can be established as early as the effective date of your HDHP coverage. However, if your coverage begins on any day other than the first day of the month, you cannot establish your account until the first day of the following month.

I want to make sure my HSA is established as soon as possible. Can I establish my account before my HDHP coverage begins?

You can complete all the paperwork and make a minimum deposit to your account prior to the effective date of your HDHP coverage. However, your account is not officially established until your HDHP coverage begins. Nonetheless, going through the HSA enrollment process before your coverage begins will ensure that your HSA will be established as early as possible.

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.

Who controls the money invested in a Health Savings Account?

The account holder decides how the money is invested. You may also choose not to invest your funds, but simply let them accrue dividends tax-free.

Will my credit union notify me if I have exceeded my allowable contribution amount?

No, it is your sole responsibility to keep track of the amounts deposited and spent from your account, just like a normal savings or share draft account.

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 I roll over funds in my HSA into my IRA?

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

Can I roll over funds in my IRA into my HSA?

You may make a one time IRA to HSA rollover. However, the rollover amount can only be up to the maximum HSA contribution for the year — minus contributions you have already made for that year.

Can I roll over funds in my Archer MSA into my HSA?

Yes, if you do so within 60 days of withdrawing the funds from the Archer MSA.

What happens to the money in my HSA when I die?

What happens depends on how the HSA is designed. If your spouse is designated as the beneficiary by you, your spouse becomes the owner of the HSA when you die. If you provide that it goes to your estate or other entity, the value of the HSA at death is income to the estate or other entity.

As an employer, do I own my employees' HSAs? Can I control how they spend the money in them?

No, you do not own your employees' HSAs. The employee fully owns the contributions to the account as soon as they are deposited, just as with a personal checking or savings account to which you would deposit their compensation.

My employees want to contribute to their HSAs but want to make sure they get a tax benefit out of doing so. How does that work?

Employee contributions can be made to HSAs on either an after-tax or pre-tax basis. If made on an after-tax basis they should be counted as an "above-the-line" deduction on their tax return, effectively making their contributions tax-free. If they want to make the contribution pre-tax it can be done through a Section 125 (also called a "salary reduction" or "cafeteria plan").

How much do I have to contribute to my employees' HSA, as an employer?

As much or as little as you want (while staying below the 2009 annual legal limit on the account of \$3,000 for employees with self-only coverage or \$5,950 for employees with family coverage).

Do HSA contributions have to be made in equal amounts each month?

No, you can contribute in a lump sum or in any amounts or frequency you wish. However, keep in mind that the funds belong to the employee after they are deposited.

As an employer, do I have to contribute the same amount to every employee's HSA?

Employer contributions must be "comparable," that is they must be in the same dollar amount or same percentage of the employee's deductible for all employees with the same category of coverage — for this purpose, generally categories of coverage are either "self-only" or "family," although consult the comparability regulations regarding the ability to subdivide the family category. You can also vary the level of contributions for "full-time" vs. "part-time" employees, and employees covered by a collective bargaining agreement are not covered by the comparability rules if health benefits were part of the agreement. You do not need to consider employees who do not have HDHP coverage as they are not eligible for HSA contributions.

Our company offers benefits through a Section 125 plan. Do contributions have to be comparable under these plans as well?

Section 125 plans (also known as “salary reduction” or “cafeteria plans”) must meet a different set of rules. Under these plans, contributions (both from employer and/or employee) must meet “non-discrimination” rules. These rules require the employer to ensure that contributions do not favor higher compensated employees.

Our company wants to offer matching contributions. Can we do that?

Yes, but your company can only offer “matching” contributions through a Section 125 plan. Remember that the non-discrimination rules still apply.

I do not offer health insurance, but some of my employees have opened HSAs and I’d like to help them out. What can I do?

Your company can make pre-tax contributions to your employees’ HSAs, as long as you do so for all eligible employees. However, the comparability rules apply. If you have a Section 125 plan, then the non-discrimination rules apply.

How are contributions treated for owners and shareholders of S corps?

Owners and officers with greater than 2% share of a Subchapter S corporation cannot make pre-tax contributions to their HSAs through the company by salary reduction. In addition, any contributions made to their HSAs by the corporation are taxable as income. However, they can make their own personal contributions to their HSAs and take the “above-the-line” deduction on their personal income taxes.

How are contributions treated for partners in a partnership or limited liability company (LLC)?

Partners in a partnership or LLC cannot make pre-tax contributions to their HSAs through the partnership by salary reduction. However, they can make their own personal contributions to their HSAs and take the “above-the-line” deduction on their personal income taxes.

May a self-employed person contribute to an HSA on a pre-tax basis?

No. Self-employed persons may not contribute to an HSA on a pre-tax basis and may not take the amount of their HSA contribution as a deduction for SECA purposes. However, they may contribute to an HSA with after-tax dollars and take the above-the-line deduction.