Health Savings Account
Frequently Asked Questions

Health Savings Account (HSA)

What is an HSA?

An HSA is a personal bank account created exclusively for individuals to pay for eligible health expenses and save for future healthcare expenses tax-free. The HSA complements your high deductible health plan (HDHP).

How does an HSA work?

Your HSA lets you use pre-tax or "before-tax" dollars to pay for certain medical expenses, both now and in the future. It acts like a partner to your HDHP, and helps you save for healthcare costs: Your's, your spouse's, and your dependents'.

You can contribute to your HSA tax free, up to the annual IRS limit, by payroll contributions, online transfers from your personal savings account, or transfers from an existing HSA. You can use the money to pay for qualified medical expenses, tax free, by making purchases of eligible medical expenses using your Benefit Card, requesting distributions directly from your HSA to pay your provider, or requesting reimbursement for payments you've made for eligible expenses.

Am I eligible to contribute to an HSA?

If all of the following statements are true for you (not requirements for your spouse), you are eligible to enroll in an HSA Advantage™ account:

- I am not participating in another health plan (spousal plan, individual policy) that is not an eligible HDHP
- My spouse is not enrolled in a healthcare plan (includes any health reimbursement arrangement offered by an employer) that provides me with benefits before I have met the IRS minimum deductible for the year
- There is a $0 balance in both my and/or my spouse's full healthcare flexible spending account (FSA) during a grace period. The plan year for the account(s) is over, and there is a $0 balance to carry over to next year or the balance will be carried over into a limited purpose FSA
- My health plan does not provide services that require a co-pay before I reach my healthcare plan deductible amount
- I do not receive Medicare benefits of any kind
- I have not received healthcare benefits (other than dental, vision, preventive or for a service-connected disability) from Veterans Affairs (TRICARE) within the last three months (including prescriptions)
- I am not a dependent on someone else's tax return

Can I have a Flexible Spending Account (FSA) and an HSA?

If you are participating in your own or your spouse's healthcare FSA, you cannot open or contribute to an HSA. You may have a dependent daycare FSA and an HSA and you may have a limited FSA for dental and vision expenses only.

Note: If you have previously opened an HSA and have decided to go back to a healthcare FSA, although you are not allowed to contribute to the HSA, you may continue to use the funds for eligible expenses.

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Health Savings Account **Frequently Asked Questions**

I have an FSA. When can I open an HSA?

This depends on what type of FSA you have. Here is how each type of FSA affects your HSA:

- If you have a dependent daycare FSA, you may open an HSA at any time. You may continue to use the dependent daycare FSA and the HSA together
- If you have a healthcare FSA, you will be able to open an HSA when the healthcare FSA plan year ends and your account has $0 balance
- If you already have a limited FSA, you may open an HSA at any time. You may continue to use the limited FSA and the HSA together

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 eligible medical expenses for yourself, your spouse, or a dependent you can claim on your tax return, without tax penalty.

Can I pay my health insurance premiums with an HSA?

You can use your HSA to pay health insurance premiums ONLY if:

- You are collecting federal or state unemployment benefits.
- You have COBRA continuation coverage through a former employer.
- You are enrolled in Medicare.

How much can I contribute to my HSA?

Maximum annual contributions (deposits into your account) to your HSA are determined by the IRS each year. For 2019, the limit for someone insured under a single plan is $3,500 and the family limit is $7,000. For 2020, the limit for someone insured under a single plan is $3,550 and the family limit is $7,100. Keep in mind all tax dependents and spouses can use HSA dollars whether it's a single or family plan.

Individuals who will be at least 55 years of age by the end of a tax year may also make catch-up contributions of $1,000 above the maximum. The limits include all contributions being made to your account, whether by you, your employer or someone else.

What is an eligible expense?

Eligible expenses are defined by the IRS. The overall guiding rule for medical expenses is that the expense has to be for medically necessary purposes only. Cosmetic or optional expenses are not eligible. You may also use your HSA to pay long-term care premiums, COBRA premiums, retiree medical premiums and Medicare premiums (but not for Medigap plans).

Using funds from your HSA for non-eligible medical expenses can result in IRS penalties. It is your responsibility to determine whether an expense is eligible. Chard Snyder's website, mobile app and customer service department can help you.

Use the Eligible Expense Scanner feature in the Chard Snyder mobile app to check items for eligibility.

To access the complete and up-to-date list of eligible items online, log in to your Chard Snyder online account; navigate to the *Tools & Support* tab; and click Eligible Expenses List.

Who decides if my expenses are "eligible medical expenses"?

You are responsible for that determination and should, therefore, familiarize yourself with what types of medical expenses are considered to be eligible (as partially defined in IRS Publication 502). How you use your HSA is solely between you and the IRS. You will want to save all receipts, invoices and statements that support withdrawals out of your HSA in case the IRS audits you.

Health Savings Account **Frequently Asked Questions**

When I make a withdrawal from my HSA to pay for an eligible medical expense, do I have to pay taxes on the withdrawn amount?

No. As long as you use your HSA account only for eligible medical expenses, you will not have to pay taxes on the money.

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 eligible medical expenses tax free, even if you no longer have HDHP coverage. The funds in your account roll over automatically each year and remain until used. There is no time limit on using the funds.

What if I use my HSA for purchases that are not eligible medical expenses?

If you use your HSA for an expense other than eligible medical expenses, you may subject yourself to significant IRS penalties. Inappropriate use of your HSA funds may also leave you without money to pay for your eligible medical expenses in the future. We advise saving your HSA money as much as possible the first year so that you can easily meet your deductible should you incur major medical expenses at a later time.

If you made an error and used money for an ineligible expense, you may attach that money to eligible expense receipts until the ineligible amount has been truly used by eligible expenses.

At age 65, your HSA dollars may be spent on anything without penalty, but you will be required to pay income tax on ineligible purchases. Eligible purchases will continue to be tax-free.

What happens when my employment is terminated or I resign?

The HSA is yours and will stay with you even after you have left your current employer. Once funds are deposited into the HSA, the account can be used to pay for eligible 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. Keep in mind, your service fees may change so make sure to check with your employer on any new fees you may incur.

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

You can continue to use your account tax-free for out-of-pocket health expenses. When you enroll in Medicare, you can use your account to pay Medicare premiums, deductibles, copays 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 health 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 20 percent penalty on the non-eligible withdrawal.

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 was established.

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

A joint HSA is not permitted. Each spouse should consider establishing an account in his or her own name, allowing both to make catch-up contributions when each spouse is 55 or older.

Health Savings Account **Frequently Asked Questions**

Can couples open separate accounts?

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

If my spouse and I are both 55 or older, can we both make catch-up contributions?

Yes. You can make catch-up contributions if you are both eligible individuals and each have established an HSA in your own name. If only one of you has an HSA, only that spouse can make a catch-up contribution.

Do I receive a monthly account statement?

Yes. Your account statement is generated each month and is available when you log in to your account. If you have an email address on file, you will receive an email notification letting you know that your new statement is ready. If you don't have an email address on file, a paper statement will be mailed to you. You can also check your account balance at any time through the Chard Snyder mobile app or your Chard Snyder online account.

Does my HSA have investment options?

Your HSA Advantage™ account offers the option of self-directed mutual fund investments. You decide how much money you want to keep readily available in your interest-bearing account and set a threshold for that amount. Any money you contribute over the threshold will sweep into the investments of your choice in $100 increments. If your interest-bearing account falls more than $100 below your threshold, HSA Advantage will sweep funds out of your investment account back into your interest-bearing account.

When you are ready to set-up investments, log into your Chard Snyder online account and go to the *Accounts* tab and choose *Manage Investments.*

Does my HSA have to have money in it before I use it to pay a provider?

Yes. This is a personal bank account in your name. Your card is a debit card, not a credit card. Like a checking account, the funds must be in your account before you can pay for an expense.

What if funds are not available in my HSA when I incur an eligible medical expense?

If you do not have enough money in your HSA to pay for an eligible medical expense, you will need to pay for the expense by some other means. Once the money is in your HSA, you can withdraw the amount that you paid and reimburse yourself.

Providers are often willing to implement a payment plan that coincides with your scheduled HSA deposits. You can reimburse yourself any time during your lifetime as long as you have a receipt for the purchase.

What happens to the balance in my HSA at the end of the year?

Unused contributions in your HSA will accumulate year after year, tax free, until you need them.

Do I need to re-enroll each year?

No. Your election will roll over to the next plan year provided that you do not make any changes.

How do I make new deposits in to my HSA?

Deposits are made through payroll deductions.

HSA deposits can also be made through the Chard Snyder online portal or mobile app. Select *Make HSA Transaction* under the I *Want to Section* to get started.

Health Savings Account **Frequently Asked Questions**

What is HSA beneficiary?

When you open an HSA, you will be asked to designate a beneficiary who will receive the account after you pass away. The choice of beneficiary makes a big difference of how the account will be treated after you are gone. If you name your spouse, the account remains an HSA and he/she will become the owner. If the beneficiary is not your spouse, the HSA ends on the date of your passing and the designated beneficiary receives a distribution from your HSA. Failure to name a beneficairy at all means the money in your HSA will be distributed to your estate and included on your final income tax return.

What tax forms will I receive with my HSA?

You will receive two tax forms on an annual basis. The 1099-SA will provide you with a summary of the distributions (withdrawals) from your HSA and the 5498-HS will provide you with a summary of the contributions (deposits) that have been made. The 5498 does not come out until the spring after the year for which you have filed taxes but serves as a check-and-balance item. If the form does not reconcile, you can submit correctional paperwork to the IRS.

All HSA account holders need to complete Form 8889-SA with their taxes. You can get this form from the IRS website (www.IRS.gov) or from your tax consultant. To fill this form out accurately, you will need your W-2 1099-SA, and the following spring you will receive a verifying 5498-HS from your bank.

Why is an HSA tax-smart?

- The money you put into your HSA is tax-free. This will reduce your taxable income
- The money in your HSA grows tax-free
- The HSA money you spend is tax-free, as long as it goes towards qualifed medical expenses

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