

# Health Savings Accounts (HSA's)



1. [HSA's – What Are They?](#)
2. [Can I have other coverage and still contribute?](#)
3. [Can I contribute to my FSA – if so, full or limited?](#)
4. [Can I have both an HRA and an HSA?](#)
5. [Can I have both an HSA and a Post-Employment Savings Plan \(HCSP/ICMA-RC\)?](#)
6. [How much can I or my employer contribute to my HSA?](#)
7. [Are HSA contributions pre-tax?](#)
8. [Can I change my HSA contributions throughout the year?](#)
9. [How do I get money out of my HSA?](#)
10. [Can I take money out of my HSA for non-qualified expenses?](#)
11. [Can I take money out of my HSA for anyone other than myself?](#)
12. [What are considered "qualified expenses?"](#)
13. [Can I delay enrollment in Medicare so that I can remain HSA-eligible?](#)
14. [Can I transfer funds from an Individual Retirement Account \(IRA\) to my HSA?](#)
15. [If I elect the HDHP mid-year, how much can I contribute to my HSA?](#)
16. [If I have a family status change mid-year and drop the HDHP, what is the maximum amount I can contribute to my HSA?](#)
17. [If I have family status change and my HDHP coverage changes from single to family coverage, what is the maximum amount I can contribute to my HSA?](#)
18. [If I have a family status change that changes my HDHP coverage from family to single, what is the maximum amount I can contribute to my HSA?](#)
19. [What happens to my HSA if I get a job at a new company that doesn't have an HSA-qualified option?](#)
20. [What happens to my HSA when I leave my employer?](#)

## Acronym Key

- **HRA** – Health Reimbursement Account (also known as a VEBA)
- **VEBA** – Voluntary Employees’ Beneficiary Association
- **HSA** – Health Savings Account
- **FSA** – Flexible Spending Account
- **HDHP** – High Deductible Health Plan
- **HCSP/ICMA-RC** – Post Employment Savings Plan

### 1. HSA’s – What are they?

- HSA’s are accounts that are funded by the employer and/or employee that are used to reimburse the employee for certain qualified expenses.
  - Think of them as savings or checking accounts
  - Balances roll from year to year without the risk of forfeiture
  - No maximum fund balance
- In order to be eligible, employees must enroll in the employer’s qualified high deductible health plan (HDHP).

### 2. Can I have other health coverage and still contribute?

- If you are in an HSA, then you cannot be:
  - Covered by other non-qualified HDHP including traditional health plans, FSA, HRA, or spouse’s health and/or FSA plans
  - Enrolled in Medicare
  - Claimed as a dependent on another’s tax return
  - Covered under TRICARE

### 3. Can I contribute to my FSA – if so, full or limited?

- If you and/or your employer is contributing to your HSA, then you and/or your spouse may only enroll in a *limited* FSA (dental and vision only).
  - Spouse’s full FSA is considered “other coverage” since the employee is eligible for reimbursement of medical expenses through the spouse’s FSA and would make the

employee ineligible for HSA contributions.

- If an employee (or employer) is *not funding the HSA* but the employee chooses to enroll in the HDHP they would be eligible for full FSA provided they do not elect to fund the HSA for the full calendar year.

### 4. Can I have both an HRA and an HSA?

- You may have balances in both accounts, but you cannot contribute (nor can your employer contribute) to both at the same time.
  - If you have a balance in an **HRA/VEBA** and are now enrolled in the HDHP/HSA, remember that you will be limited to dental and vision in that HRA.
  - If you have a balance in your **HSA** and are now enrolled in the HDHP/HRA you may use both accounts for all medical, dental and vision expenses.

### 5. Can I have both an HSA and a Post-Employment Savings Plan (HCSP/ICMA-RC)?

- You may have balances in both accounts, but you cannot contribute (nor can your employer contribute) to your HSA if you are eligible to receive reimbursement from your post-employment savings plan. This usually does not affect active employees unless they are eligible for reimbursement from a prior employer’s post-employment savings plan.
  - If you are terminated or retired and wish to continue contributions

to your HSA, you will need to waive your ability to receive reimbursements from your post-employment savings plan. (MSRS does indicate in their communications to retirees that if a contribution has been made to an HSA at any time during the calendar year, reimbursements must be limited to dental and vision only for the entirety of the calendar year.)

- If you are terminated or retired and no longer contributing to your HSA, you may use balances in both accounts to pay eligible expenses.

#### 6. How much can I or my employer contribute to my HSA?

- HSA limits are set each year by the federal government.
  - 2017 Maximum annual contributions \$3,400/\$6,750
  - 2018 Maximum annual contributions \$3,450/\$6,900
  - Maximums include both employer and employee's \$'s
- **Special HSA catch-up provisions for age 55+:**
  - Annual contributions may be increased by \$1,000

#### 7. Are HSA contributions pre-tax?

- Yes, employer contributions are always pre-taxed.
  - Employees may contribute on a pre-tax basis through payroll deductions.
    - Contributions may be adjusted throughout the year
    - No status change required
  - Employees may also contribute after-tax money directly into their HSA from savings, etc.
    - Dollar for dollar offset on their income tax returns

#### 8. Can I change my HSA contributions throughout the year?

- Yes, you may change your contributions anytime throughout the year, with or without a life event or status change.

#### 9. How do I get money out of my HSA?

- Money may be withdrawn at any time for qualified or non-qualified expenses from your HSA by using your debit card. You will not be asked to prove you had a qualified expense at the time of withdrawal, but the IRS may ask you later so keep your receipts!
  - You don't have to take the money out for qualified expenses in the year the expenses were incurred.

#### 10. Can I take money out of my HSA for non-qualified expenses?

- You **can** take money out of your HSA for non-qualified expenses, but if you are under age 65 and not disabled you will pay income tax and a 20% penalty.
  - Once you turn 65 or become disabled, you can take money out for non-qualified expenses (you will still pay income tax, but no penalty).

#### 11. Can I take money out of my HSA for anyone other than myself?

- Yes. You may take money out of your HSA for you, your spouse and **tax dependents**, even if they are not on your HDHP.
  - However, if you are covering an adult child on your HDHP, and they are not a tax dependent, you cannot use your HSA for their expenses.

#### 12. What are considered "qualified expenses"?

- Qualified expenses include medical, dental and vision expenses. Same expenses as your FSA. See publication 502 (available at [www.irs.gov/pub/irs-pdf/p502.pdf](http://www.irs.gov/pub/irs-pdf/p502.pdf)).

- In addition to qualified expenses, HSA funds can be used to pay for some insurance premiums:
  - COBRA/Continuation premiums while on the former Employer's plan
  - Long-term care
  - Medicare (B & D) – *Medicare Supplement premiums are not allowed*

### 13. Can I delay enrollment in Medicare so that I can remain HSA-eligible?

- Yes. However because of potential ramifications, please seek qualified advice.

### 14. Can I transfer funds from an Individual Retirement Account (IRA) to my HSA?

- Individuals can make a one-time, tax-free trustee-to-trustee transfer from an IRA to an HSA. The individual must remain enrolled in an HSA-qualified plan and eligible for an HSA for at least the next 12 months following the fund transfer. Note that these transfer amounts **do** count against the statutory contribution limits outlined above.

### 15. If I elect the HDHP mid-year, how much can I contribute to my HSA?

- If you enroll mid-year, in general your contributions are limited by the 1/12 rule.
  - **Single Coverage:** For each full calendar month of qualified coverage, you may contribute up to 1/12 of the \$3,450 annual limit.
  - **Family Coverage:** For each full calendar month of qualified coverage, you may contribute up to 1/12 of the \$6,900 annual limit.
- However, you can contribute more than is permitted by the 1/12 rule if you stay enrolled for the next year, which is known as the "testing period." The testing period requires you to maintain the HDHP through the entire month of December of the current tax year and all twelve (12) months of the next tax year. The type of HDHP coverage (single or family) you have on

December 1 governs the amount that you can contribute for the year.

- **Examples:** If enrolled in single coverage on December 1, you may contribute up to \$3,450. If you are enrolled in family coverage on December 1, you may contribute up to \$6,900. In each instance, if you are at least age 55, you can also make a \$1,000 catch up contribution.

- These higher contributions will be taxed and subject to an additional 10% penalty tax if you fail to stay enrolled in the HDHP during the entire testing period. Please see IRS Publication 969 and IRA Form 8889 at [www.irs.gov](http://www.irs.gov) for examples and for a testing period worksheet.

### 16. If I have a family status change mid-year and drop the HDHP, what is the maximum amount I can contribute to my HSA?

- If you drop the HDHP mid-year, your contributions are limited by the 1/12 rule.
  - **Single Coverage:** For each full month of coverage, you may contribute up to 1/12 of the \$3,450 annual limit, plus 1/12 of any catch-up contribution.
  - **Family Coverage:** For each full month of coverage, you may contribute up to 1/12 of the \$6,900 annual limit, plus 1/12 of any catch-up contribution.

### 17. If I have a family status change and my HDHP coverage changes from single to family coverage, what is the maximum amount I can contribute to my HSA?

- If your status changes from single to family on or before December, you may make a full family contribution, including any catch-up contribution. If you make your contribution for the full year based on enrollment in family coverage, you will be subject to the testing period described in question 16.

### 18. If I have a family status change that changes my HDHP coverage from family to single, what is the maximum amount I can contribute to my HSA?

- You are permitted to contribute 1/12<sup>th</sup> of the family annual maximum for each full month you are covered by a family HDHP, plus 1/12<sup>th</sup> of the single annual maximum for each full month you are covered by a single HDHP. You may also contribute 1/12 of any catch-up contribution.

**19. What happens to my HSA if I get a job at a new employer that doesn't have an HSA-qualified option?**

- Your HSA is your money, so it goes with you from job to job. If your new employer has an HSA qualified HDHP plan and you enroll in that plan, you can continue contributing funds to your existing HSA. If not, you can continue to spend the money in your account to meet your family's expenses tax-free, or use for other non-qualified expenses subject to taxes and penalties. You can also choose to let the money sit in the account until you need it later on in life. You cannot, however, contribute to the account or have contributions made on your behalf if you do not enroll in HSA-qualified HDHP insurance plan.

**20. What happens to my HSA when I leave my employer?**

- The employee owns the account and can keep it with the current administrator/bank or move it to another administrator/bank.