

HEALTH SAVINGS ACCOUNTS FREQUENTLY ASKED QUESTIONS

HSA BASICS

What is an HSA?

A Health Savings Account (HSA) is an individually owned tax-advantaged bank account that allows the accountholder to accumulate funds to pay for qualified health care expenses. To qualify, the accountholder must be covered under a qualified high-deductible health plan (HDHP) as defined by IRS regulations. The accountholder can save the funds for retirement health care expenses, or pay for current qualified health care expenses. The individual accountholder is responsible for monitoring his/her account, ensuring that distributions are for qualified expenses and that contributions do not exceed limits set by the IRS. Individuals must keep records and documentation of all health care expenses for which distributions are taken.

What is the advantage of having an HSA?

HSAs offer a triple tax advantage:

- contributions to the HSA are tax-free,
- interest can be earned on the account and is tax-deferred; and,
- funds taken from the account are tax-free provided those funds are used for qualified health care expenses!

This means that over the life of your HSA, you could save thousands of dollars in taxes!

How does an HSA work?

As contributions are made to the HSA, you can save those funds, or you may spend the funds on current health care expenses. Unused funds and interest carry forward, without limit, from year to year and you can invest the funds. As the accountholder, you own the account and can keep the account even when changing jobs or stopping work. You will also have investment opportunities!

Who is eligible to have an HSA?

To qualify for an HSA, you must meet the following requirements:

- You must be covered by a qualified high-deductible health plan (HDHP).
- You must have no other health coverage, including a spouse's plan that provides benefits covered by your HDHP. You can have accident, disability, dental, vision or long-term care coverage or insurance that provides benefits for a specific disease or illness, a fixed amount for hospital stays or liability coverage, such as workers' compensation.
- You are not enrolled in Medicare.
- You do not receive health benefits under TRICARE.
- You have not received Veterans Administration (VA) benefits within the past three months.
- You cannot be claimed as a dependent on someone else's tax return.
- You are not covered by a general-purpose health care flexible spending account (FSA) or a general-purpose health reimbursement account (HRA). Limited-purpose FSAs and limited-purpose HRAs are permitted.

What is a "high-deductible health plan" (HDHP)?

A HDHP is defined by the IRS as a health plan meeting minimum deductible amounts and out-of-pocket maximum spending limits. The limits are subject to annual cost-of-living adjustments (COLA).

Washburn University's HDHP qualifies.

Does having an HSA impact my ability to also have a FSA or HRA?

If an individual enrolls in both a HSA and Flexible Spending Account (FSA) or Health Reimbursement Arrangement (HRA), he/she cannot make HSA contributions if the FSA/HRA is a general-purpose account. However, the individual may contribute to the HSA if the FSA/HRA is a limited-purpose arrangement covering dental and vision only.

What is a limited-purpose health care FSA (LPFSA)?

A LPFSA is a HSA-compatible FSA. If you are enrolled in a HDHP, with a HSA to which you or your employer contributes, you are eligible to participate in a LPFSA. That means you can participate in both an HSA and a LPFSA in order to maximize your tax savings. While your HSA can be used to pay all types of medical expenses, the LPFSA funds can be used to pay for dental and vision expenses.

Tip: Plan carefully to preserve the value of both accounts by using your HSA funds as a way to save and invest for future health care expenses. Then, just use your LPFSA to pay for routine vision and dental care expenses you incur each year.

CONTRIBUTIONS TO YOUR HSA

How do I make contributions to my HSA?

Individuals may contribute to the HSA via pretax payroll contribution, or otherwise make a deposit to the account online, or by cash or check.

Can I change my contribution amount during the year?

Yes. You can change your contribution to the HSA at any time. If you are making pretax contributions to your HSA through your employer plan, you will need to provide advance notice to your employer.

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

The IRS established contribution limits for individuals and families and these amounts are indexed annually. The IRS also includes special rules that allow individual account holders age 55 to 65 to make catch-up contributions. Anyone can make contributions to an HSA of an eligible individual. Individuals, family members or employers may contribute to an HSA. Excess contributions, or amounts that exceed the limits, can be assessed an excise tax of 6% if not withdrawn in a timely manner.

IRS Contribution Limits	2020	2019
Individual	\$3,550	\$3,500
Family	\$7,100	\$7,000
Catch-Up Contribution (Age 55+)	\$1,000	\$1,000

What is a catch-up contribution?

Individuals between ages 55 and 65 are allowed to make an additional \$1,000 contribution per calendar year.

Who can contribute to my HSA?

Anyone can contribute funds to your HSA. For an employee's HSA, the employee, the employer, or both may contribute to the HSA in the same year. Family members or any other person may also make contributions on behalf of an eligible individual.

Tip: Each employer plan varies; check your employer-sponsored program for details.

Can I contribute funds from my Individual Retirement Arrangement (IRA) to my HSA?

You can make a one-time contribution from an IRA into your HSA, subject to the maximum contribution limits and provided it is a direct IRA to HSA transfer.

If I have another HSA already, can I rollover those HSA contributions to my new HSA?

Yes. You can rollover amounts from your other HSA(s). Check with the bank custodian for details as fees may apply.

What happens if I exceed the annual contribution limit?

You must report the excess amount as gross income on your income tax and an excise tax will apply. You can remove excess contributions by contacting the bank custodian, and fees may apply.

Can I have a joint HSA with my spouse?

No. A spouse must open a separate HSA. Your spouse can have access to your account by becoming an authorized signer on the account.

Can I invest my HSA funds?

Yes. You will have a variety of interest bearing accounts from which to choose, or you can self-direct funds with a registered representative by contacting the bank custodian.

What happens to my HSA if I am no longer covered under a qualified HDHP?

No contributions can be made to your HSA. However, the HSA funds are available to you and can be used to pay for qualified health care expenses.

DISTRIBUTIONS FROM YOUR HSA

Can I use tax-free HSA funds to reimburse myself for IRS-qualified health care expenses?

Yes. As long as the qualified health care expense occurred after you opened the HSA, you can pay or reimburse yourself with HSA funds. Keep copies of your itemized receipts and insurance plan Explanation of Benefits (EOBs) to verify your funds were used for qualified health care expenses and not paid for by another source or taken as an itemized deduction for a prior tax year. Qualified expenses are defined by the IRS as amounts paid for the diagnosis, cure, mitigation, treatment, or prevention of disease or for the purpose of affecting a structure or function of the body, as well as for transportation primarily for and essential to such care. Qualified expenses do not include insurance premiums other than premiums for long-term care insurance, premiums for COBRA coverage, or premiums for health care coverage while receiving unemployment compensation.

Tip: See IRS Publication 502 for more information. This publication is available on asiflex.com or irs.gov.

Can I use my HSA funds to pay medical expenses for my spouse or children?

Yes. You can use HSA funds to pay for qualified health care expenses for yourself, your spouse or dependent even if they are covered under another plan. Generally, a person qualifies as your dependent if you claim him/her as an exemption on your Federal income tax return.

Tip: Be sure to consult a qualified tax advisor for further information about your personal situation.

What should I do if I have overpaid my health care provider, and the health care provider refunds the overpaid amount to me?

Using mobile banking, you can snap a picture of the returned check and deposit it back into your HSA. You may also contact the bank custodian for assistance in returning the funds.

What happens if I use my HSA funds to pay for something other than a qualified health care expense?

HSA funds used for something other than qualified health care expenses are considered part of your gross income and subject to applicable income tax and a 20% tax penalty. Funds used after an account holder's death or disability or after age 65 are not subject to the 20% penalty.

What types of expenses are eligible to be paid from my HSA?

HSA funds can be saved for future expenses, or spent on current expenses to pay for qualified medical, dental, vision, prescription drug expenses, etc. as defined in IRS Publication 502. Funds can also be used for non-health care expenses, however, are subject to income tax and if under age 65 are subject to a 20% penalty.

For a list of qualifying expenses, visit [irs.gov](https://www.centralbank.net/Pages/Personal/Health-Savings-Account/Eligible-Medical-Expenses/) or <https://www.centralbank.net/Pages/Personal/Health-Savings-Account/Eligible-Medical-Expenses/>

How can I take distributions from my HSA or pay for qualified health care expenses?

When you open an HSA account, you will receive some exclusive features designed to make paying and tracking your qualified expenses seamless and user-friendly. You will receive a MasterCard® debit card for each payment, the opportunity for free online Bill Pay, and free Mobile Banking. You will also have access to your account statement online, eStatement!

Do I need to report information about my HSA on my personal income tax return?

Yes. Individual accountholders must file IRS Form 8889 with his/her tax return annually to report contributions and distributions from the account. The bank custodian will send two tax forms to you:

- Form 5498-SA reports the contributions and rollovers made during the previous calendar year
- Form 1099-SA reports the total amount of distributions from the HSA

HOW TO OBTAIN MORE INFORMATION

ASIFlex.com

- Programs Tab – Health Savings Accounts
- Resources – Helpful Videos
- Useful Links – IRS Publication 969, IRS Notice 2004-50, IRS Notice 2008-59

ASIFlex Customer Service:

P: 1-800-659-3035

Email: asi@asiflex.com

CentralBank.net