Why would I want an HDHP & HSA?

This combination of benefits gives you control over your health care and how you spend and save money for expenses related to your health care.

- **It saves you money on taxes** – contributions up to the IRS maximum are on a pre-tax basis, interest earned on the account is not taxable, and as long as you spend the money on eligible expenses you can spend the money tax-free.
- **It belongs to you** – any money put in the account belongs to you.
- **Account balances build over time** – account balances earn interest and any unused funds rollover to the next year and can apply to future health expenses.
- **It is an investment opportunity** – once your HSA reaches a certain balance you can invest some of your money in investment options like mutual funds similar to a 401(k).
- **It covers expenses beyond the health plan** – the account is not just for deductible expenses, but can be used to pay for medical expenses, such as dental services, vision care, long term care insurance premiums, mental health services, and other qualified medical related expenses.
- **Easy access to account funds** – you do not have to file claim forms to spend HSA dollars – just use your HSA debit card to pay for eligible expenses directly from your account or simply make a withdrawal to "pay yourself back" for dollars you have spent out of your own pocket for eligible expenses.

What is a Health Savings Account (HSA)?

An HSA is a special type of bank account that allows you to save for your deductible expenses and other IRS qualified health expenses not covered under your HDHP. In order to have an HSA, you must have an HDHP. You can put money in this account, your employer can put money in this account, or others can make contributions on your behalf.

Why wouldn't I be able to participate?

In addition to the HDHP requirement, the IRS has established other rules about contributing to an HSA. You may not participate, if:

- You are covered by other insurance such as a spouse's plan that is not a High Deductible Health Plan or another plan that pays for medical expenses including Flexible Spending Accounts.
- You are enrolled in Medicare.
- You can be claimed as a dependent on another person's tax return.

How is the HSA funded?

When you enroll in the HDHP, you have the opportunity to make a pre-tax payroll deduction election into your HSA. This amount will be deducted from your paycheck and deposited in your account automatically. Contributions are available once they are deposited. You may also make contributions via personal check in after-tax dollars and claim a deduction on your tax return.

How much can I contribute to the HSA?

Annual contributions (deposits into your HSA) are limited to maximums set by the IRS. The 2017 maximum contributions will be $3,400 for single and $6,750 for family, and include Employee and Employer contributions. The 2018 maximum contributions will be $3,450 for single and $6,900 for family Individuals who are over age 55 are also eligible to make "catch-up" contributions of $1,000 in 2017 and 2018.

Do I have to contribute to the HSA?

No. You do not have to contribute to the HSA. There will still be a premium payroll deduction for the HDHP insurance coverage.

Can I change my contributions during the year and what happens if I over-contribute?

Yes. You may change your contribution amount during the plan year by notifying Human Resources/Payroll. If you over-contribute, the IRS imposes taxes and a 20% penalty on excess contributions including the interest you earned. Rollovers from another HSA do not count as excess contributions.

Does the money I contribute need to be in my HSA before I use it?

Yes. You may only deduct/withdraw funds that have accrued in the account. If you have an expense that is more than the amount in your HSA, you will need to pay the remaining cost out of your pocket. Once your fund balance increases, you may make a withdrawal from your HSA to “pay yourself back” for the amount that you paid out of your pocket.

What do I do when I have a qualified expense and want to use my HSA?

- Save your receipts every time you use your debit card to pay for an eligible expense or make a withdrawal to “pay yourself back” for an eligible expense that you have paid for out of your own pocket. The IRS may ask you to verify the expense if you are ever audited.
- At the pharmacy you may swipe your HSA debit card and the available funds will be taken out of your account automatically. It may be beneficial for you to compare prescription drug prices at various pharmacies. The insurance carrier has different contracted amounts with each pharmacy and you may have the opportunity to save money depending on where you buy your prescription drugs.
- At the doctor’s office, tell the staff that you do not have an office visit copay. The doctor’s office will submit the claim to the insurance carrier and the insurance carrier will apply the appropriate in-network discount. When you get the bill from your doctor’s office, match it up with the explanation of benefits (EOB) from your health insurance carrier, to ensure you are being billed the discounted amount. You may pay the bill with your HSA debit card or you may pay by cash, check or credit card and make a withdrawal from your HSA to “pay yourself back” for your out of pocket expenses.

What if I don’t want to use my HSA funds?

You have the choice to use or not use your HSA funds for your qualified expenses. Some people make the choice to pay for their expenses out of their pocket (if affordable) and save the money in their HSA to build a nest egg of money over time.

Do I have tax reporting requirements for my HSA?

Yes. You are required to complete Tax Form 8889-SA when you do your taxes. In order to complete this form accurately, you will need your W-2 and 1099-SA. The 1099-SA will be mailed in January. It is a summary of your withdrawals. The 5498-HS will be mailed in late April; it is a summary of your contributions, (you can contribute to your HSA until April 15). Form 5498-HS is for your records, you do not need to file this form with your tax return. Both of these forms will be sent to you from the participating bank.

What happens to my HSA if I change employment?

You own your HSA and the money in it from day one. If you leave your current employer, you are still able to use the HSA money for qualified expenses. The only way you can continue to make contributions to your HSA is if you are enrolled in an HDHP.

What happens to my HSA when I turn 65?

You can withdraw the funds for any reason without any IRS penalties or excise taxes. However, income taxes will still apply. Medicare enrollment is not automatic, unless you are drawing Social Security benefits. If you begin drawing Social Security benefits and enroll in Medicare, you can no longer make new contributions to the HSA. For additional information on **HSA and Medicare**, ask your HORAN representative**.**

What if I have problems with my HSA and need assistance?

Your HSA works similar to a traditional banking account. If you have questions regarding your contributions, your withdrawals or your HSA debit card you may need to contact the bank.