Health Savings Account…Frequently Asked Questions

Q1. What is a Health Savings Account ("HSA")?
A1. A Health Savings Account 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 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.

Q2. What is a "High Deductible Health Plan" (HDHP)?
A2. You must have an HDHP if you want to open an HSA. Sometimes referred to as a "catastrophic" health insurance plan, an HDHP is an inexpensive health insurance plan that generally doesn't pay for the first several thousand dollars of health care expenses (i.e., your "deductible") but will generally cover you after that. Of course, your HSA is available to help you pay for the expenses your plan does not cover.

Q3. Who is eligible for a Health Savings Account?
A3. To be eligible for a Health Savings Account, an individual must be covered by a HSA-qualified High Deductible Health Plan (HDHP) and must not be covered by other health insurance that is not an HDHP.

Q4. Can I get an HSA even if I have other insurance that pays medical bills?
A4. You are only allowed to have auto, dental, vision, disability and long-term care insurance at the same time as an HDHP.

Q5. If an individual switches from a family HDHP to a self-only HDHP, does the individual fail to be an eligible individual during the period of self-only coverage merely because the self-only HDHP, for the purpose of satisfying the self-only deductible, takes into account expenses incurred while the individual had family HDHP coverage?
A5. A self-only HDHP may use any reasonable method to allocate the covered expenses incurred during the period of family coverage for the purpose of satisfying the deductible for self-only coverage. For example, subject to state law requirements, the plan may allocate to the self-only deductible only the expenses incurred by that individual. Alternatively, the plan may allocate the expenses incurred during family HDHP coverage on a per-capita basis according to the number of persons covered by the family HDHP. If the family deductible was satisfied before the change to self-only coverage, the plan may also treat the individual as having satisfied the self-only deductible for that plan year.

Q6. I am a Veteran, can I have an HSA?
A6. 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.

Q7. Is an individual an eligible individual if he or she is eligible for medical benefits through the Department of Veterans Affairs (VA) but only receives medical care that is disregarded coverage or preventive care from the VA and is otherwise an eligible individual?
A7. Yes. Although an individual actually receiving medical benefits from the VA at any time in the previous three months is generally not an eligible individual, this rule does not apply if the medical benefits consist solely of disregarded coverage or preventive care.

Q8. My employer offers a FSA, can I have both a FSA and an HSA?
A8. General Flexible Spending Accounts (FSAs) will make you ineligible for an HSA. However, HSA participants are eligible to participate in the “limited purpose” FSA (limited to dental and vision).

Q9. Does my income affect whether I can have an HSA?
A9. There are no income limits that affect HSA eligibility.

Q10. I have a very high deductible, is there a limit on how much I can contribute?
A10. The contribution limits are established by the IRS/U.S. Treasury department and are reviewed yearly.

Q11. How do the maximum annual HSA contribution limits apply to a married couple if both spouses are eligible individuals and one spouse has self-only HDHP coverage and the other spouse has family HDHP coverage?
A11. The maximum annual HSA contribution limit for a married couple if one spouse has family HDHP coverage and the other spouse has self-only HDHP coverage is the statutory maximum for family coverage.

Q12. Do my HSA contributions have to be made in equal amounts each month?
A12. Yes. If you wish to contribute through pre-tax payroll deductions. You specify how you much you wish to contribute annually. The contribution is deducted per pay period.

Lump sum contributions can be made directly to your financial institution; however, you will need to file a special tax form when filing your income tax return.

Q13. Does my contribution depend on when I establish my HSA account or when my HDHP coverage begins?
A13. Your eligibility to contribute to an HSA is determined by the effective date of your HDHP coverage. Your annual contribution depends on the number of months of HDHP coverage you have during the year (technically, the months where you have HDHP coverage on the first day of the month). The amount you can contribute is not

determined by the date you establish your account. However, medical expenses incurred before the date your HSA is established cannot be reimbursed from the account.

Q14. If I begin HDHP coverage after the start of the plan year, how much am I allowed to contribute?
A14. You are allowed to contribute the full annual amount provided you maintain your HDHP coverage during the next calendar year. Otherwise, you are allowed to contribute 1/12 of the maximum amount times the number of months you participate.

Example: *If you have family HDHP coverage on July 1, 2022 and keep HDHP coverage through December 31, 2022, you are allowed the full $7,300 family contribution to an HSA for 2022. If you fail to remain covered by an HDHP for all of 2022, $3,650 would be included income and subject to an additional 20 percent tax.*

Q15. If I participate in a HDHP at the start of the plan year and maintain my coverage for a partial year, how much can I contribute to my HSA?
A15. You are allowed to contribute 1/12 of the maximum amount for each month of participation.

Example: *If you have family HDHP coverage from January 1, 2022 until June 30, 2022, then cease having HDHP coverage, you are allowed an HSA contribution of 6/12 (1/12 x 6 months) of $7,300 or $3,650.*

Q16. I'm over 55 and would like to make catch-up contributions to my HSA. Is that possible?
A16. Yes, individuals 55 and older who are covered by an HDHP can make additional catch-up contributions each year until they enroll in any part of Medicare (A or B). The additional "catch-up" contributions to HSA allowed are $1,000.

Q17. I turned 55 this year. Can I make the full "catch-up" contribution?
A17. 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.

Q18. If both spouses are 55 and older, can both spouses make "catch-up" contributions?
A18. Yes, if both spouses are eligible individuals and both spouses have established an HSA in their name. If only one spouse has an HSA in their name, only that spouse can make a "catch-up" contribution.

Q19. My spouse has an FSA or HRA through their employer, can I have HSA?
A19. 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.

Q20. I'm a single parent with HDHP coverage but a have 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?
A20. 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.

Q21. Does tax filing status (joint vs. separate) affect my contribution?
A21. Tax filing status does not affect your contribution.

Q22. Who decides whether the money I'm spending from my HSA is for a "qualified medical expense?"
A22. You are responsible for that decision, and therefore should familiarize yourself with what qualified medical expenses are and also keep your receipts in case you need to defend your expenditures or decisions during an audit.

Q23. May an HSA account beneficiary authorize someone else to withdraw funds from his or her HSA?
A23. Yes. Although an HSA is an individual account, an HSA account beneficiary can designate other individuals to withdraw funds pursuant to the procedures of the trustee or custodian of the HSA.

Q24. What happens if I don't use the money in the HSA for medical expenses?
A24. If the money is used for other than qualified medical expenses, the expenditure will be taxed and, for individuals who are not disabled or over age 65, subject to a 20% tax penalty.

Q25. Are dental and vision care qualified medical expenses under a Health Savings Account?
A25 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.

Q26. Can I use the money in my HSA to pay for medical care for a family member?
A26. Yes, you may withdraw funds to pay for the qualified medical expenses of yourself, your spouse or a dependent without tax penalty.

Q27. Can I use my HSA to pay for medical services provided in other countries?
A27. Yes.

Q28. Can I pay my health insurance premiums with an HSA?
A28. You can only use your HSA to pay health insurance premiums if you are collecting Federal or State unemployment benefits, or you have COBRA continuation coverage through a former employer.

Q29. 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?
A29. 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.

Q30. What happens to the money in my HSA if I lose my HDHP coverage?
A30. 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 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.

Q31. Do unused funds in a Health Savings Account roll over year after year?
A31. Yes, the unused balance in a Health Savings Account automatically rolls over year after year.

Q32. What happens to the money in a Health Savings Account after you turn age 65?
A32. 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.

Once you turn age 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 20% penalty on the amount withdrawn.

Q33. Does an individual fail to be an eligible individual merely because the individual is eligible for, but not enrolled in, Medicare Part D (or any other Medicare benefit)?
A33. No. However, an individual is not an eligible individual in any month during which such individual is both eligible for benefits under Medicare and enrolled to receive benefits under Medicare.

Q34. If the account beneficiary has not attained age 65, are Medicare premiums for coverage of an account beneficiary's spouse (who has attained age 65) qualified medical expenses?

A34. No. If the account beneficiary has not attained age 65, Medicare premiums are generally not qualified medical expenses.

Q35. Can I use my HSA to pay for medical expenses incurred before I set up my account?
A35. No. You cannot reimburse qualified medical expenses incurred before your account is established.

Q36. Do qualified medical expenses for HSA purposes include medical expenses incurred by an account beneficiary's child who is claimed as a dependent by the account beneficiary's former spouse?
A36. Yes.

Q37. Who will be the "bookkeeper" for my HSA?
A37. It is your responsibility to keep track of your deposits and expenditures and keep all of your receipts.

Q38. How do I use my HSA to pay my physician when I'm at the physician's office?
A38. If you are still 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 custodian has provided you with a checkbook or debit card, you can pay your physician directly from the account.

The physician will 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.

Q39. How soon can I open my account?
A39. Your account can be established as early as the effective date of your HDHP coverage.

Q40. May a trustee treat an HSA as established before the date of establishment determined under state law, such as the date when HDHP coverage began?
A40. No.

Q41. Can the funds in an HSA be invested?
A41. 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. Your option will depend on what the plan custodian decides to offer.

Q42. Who has control over the money invested in a Health Savings Account?
A42. You, the account holder, control all decisions over how the money is invested. You can also choose not to invest your funds.

Q43. How are HSA administration and maintenance fees withdrawn by the trustee from an HSA reported by the trustee?
A43. HSA administration and maintenance fees withdrawn by the trustee are reflected on the Form 5498-SA in the fair market value of the HSA at the end of the taxable year. These fees are not reported as distributions from the HSA.

Q44. Will my bank notify me if I've exceeded my allowable contribution amount?
A44. No, it is your sole responsibility to keep track of the amounts deposited and spent from your account, just like a normal savings or checking account.

Q45. Can I borrow against the money in my HSA?
A45. No. You may not borrow against it or pledge the funds in it.

Q46. Can I roll the money in a Health Savings Account over into an IRA?
A46. You cannot roll the HSA funds over into an IRA. They will stay in the HSA or be rolled into another HSA.

Q47. What happens to the money in my HSA when I die?
A47. 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.