Health Savings Account (HSA) FAQ

1. **Am I eligible for a Health Savings Account (HSA)?**

FOR YOU (THE EMPLOYEE) TO BE ELIGIBLE TO OPEN AN HSA, YOU MUST:

- Be enrolled in a qualified high deductible health plan (HDHP)
- NOT be enrolled in a non-HDHP including a spouse's plan, Medicare, Tricare or prescription drug only plan
- NOT be claimed as a dependent on another individual's tax return, other than your spouse's
- NOT have received any health benefits from the Veterans Administration or one of their facilities, including prescription drugs, in the last three months, except for preventive care. If you have a disability rating from the VA, this exclusion doesn't apply.
- NOT have received any health benefits through the Indian Health Services in the last three months
- NOT be enrolled in a General Purpose medical Health Flexible Spending Account (Health FSA) or Health Reimbursement Arrangement (HRA) (your spouse cannot have an FSA or HRA either) See question 6 for more details.

Other restrictions and exceptions may also apply. We recommend that you consult a tax, legal or financial advisor to discuss your personal circumstances that may affect your HSA eligibility. KPBSD cannot consult you about your HSA eligibility.

2. **Who can I cover with my HSA?**

In Publication 969, the IRS clarifies that you can withdraw tax-free money from your HSA to pay for qualified medical expenses for:

- Yourself
- Your spouse (regardless of whether you file taxes jointly or separately)
- Any dependents you claim on your tax return (your children, or a qualifying relative dependent) and any children who are claimed on your ex-spouse's tax return (this only applies when the parent claims the children that same tax year)
- Anyone you *could* have claimed as a dependent, but weren't able to because he or she
  - filed a joint tax return (for example, your married teenage kid who files a joint return with his or her spouse)
  - earned more than $4,150 (in 2018), or you (or your spouse, if you file jointly) could be claimed as a dependent on someone else's tax return.
- As long as the person is in one of the above categories, you can reimburse yourself for the cost of their qualified medical expenses with tax-free money from your HSA. It doesn't matter whether the person was covered under your HDHP, or even whether they had health coverage at all.

3. **If my spouse and I are both employed by KPBSD can one of us enroll in the HRA plan and the other one enroll in the HSA plan?**

No, under HSA rules, if you are covered by more than one medical plan, each plan must be HSA-qualified coverage. According to IRS guidelines, you cannot have coverage under both our HRA and our HSA Plan as our HRA plan is ***not*** an HSA qualified plan. You would both need to elect the same plan. See question 1 for additional eligibility guidelines.

4. **What if I currently contribute to the Section 125 Flexible Spending Account (FSA) through American Fidelity?**

Per IRS regulations, you cannot contribute to a Health Savings account (HSA) if you currently contribute to the ***medical*** FSA account. You must elect the HRA plan while you are contributing to a medical FSA account. If you currently contribute to a Medical FSA account and would like to enroll in the HSA Plan, you must wait until the American Fidelity FSA account terminates on June 30th and not reenroll in the FSA account the following fiscal year. Then you may enroll in the HSA during the next annual open enrollment effective January 1st. See question 1 for additional eligibility guidelines.

5. **If I switch from the KPBSD HRA Plan to the HSA Plan, does my HRA money roll over to the HSA account?**

No, under current law you cannot roll over unused HRA balances into your HSA.

6. **My Spouse has an HRA through their employer. How does that affect my HSA eligibility?**

It depends on whether you can reimburse your expenses through their HRA. HRAs typically are integrated with medical plans. If they don't cover you on their medical plan and the HRA reimburses only out-of-pocket expenses incurred under their employer's medical plan, your HSA eligibility isn't affected by their HRA.
On the other hand, if they cover you on their medical plan with a first-dollar HRA and you're enrolled in an HSA-qualified medical plan through your employer, you aren't HSA-eligible because your ability to access reimbursement through their HRA constitutes disqualifying coverage.

7. **What are the HSA contribution limits?**

2020 Calendar Year Maximum Contribution	
Annual Contribution Limit For Employee Only	$3,550
Annual Contribution Limit for Family	$7,100
Additional "catch-up" if 55 or older	$1,000

8. **What are HSA qualified medical expenses?**

A qualified medical expense is one for medical care as defined by Internal Revenue Code Section 213(d). The expenses must be primarily to alleviate or prevent a physical or mental defect or illness, including dental and vision. Most expenses for medical care will fall under IRC Section 213(d).
However, some expenses ***do not*** qualify. A few examples are:

- Surgery for purely cosmetic reasons
- Health club dues
- Illegal operations or treatment
- Maternity clothes
- Toothpaste, toiletries, and cosmetics

HSA money cannot generally be used to pay your insurance premiums. See question 14 for additional information.

*See IRS Publications 502 ("Medical and Dental Expenses") and 969 ("Health Savings Accounts and Other Tax-Favored Health Plans") for more information.

9. **In the event of my death, what happens to my HSA?**

You will assign a beneficiary to your HSA account upon enrollment.

10. **Are my prescriptions subject to my Major Medical Deductible if I elect the HSA Plan?**

Yes, per IRS regulations, the prescription benefits on an HSA eligible Plan must be subject to the Major Medical deductible, with the exception of limited preventive maintenance medications. Once the deductible is met, the regular prescription copays will take effect.

11. **Can I get preventive care if I elect the HSA Plan?**

Yes, eligible Preventive care required per the Affordable Care Act will be covered at 100% and not subject to the Major Medical deductible for both the HRA and HSA Plan.

12. **Can I use BridgeHealth if I elect the HSA Plan?**

You may use BridgeHealth if you elect the HSA Plan, however, per IRS regulations, you must satisfy your individual Major Medical Deductible and then the coinsurance will be waived.

13. **Can I use Teladoc if I elect the HSA Plan?**

Yes, you may use Teladoc if you elect the HSA Plan, however, per IRS regulations, the $40 Teladoc copay must apply when Teladoc is utilized.

14. **Can my HSA be used to pay premiums?**

No, this would be a nonmedical withdrawal, subject to taxes and penalty.
Exceptions. No penalty or taxes will apply if the money is withdrawn to pay premiums for:

1. Qualified long-term care insurance; or
2. Health insurance while you are receiving federal or state unemployment compensation; or
3. Continuation of coverage plans, like COBRA, required under any federal law; or
4. Medicare premiums.

15. **How are distributions from my HSA taxed after I am no longer eligible to contribute?**

If you are no longer eligible to contribute because you are enrolled in Medicare benefits, or are no longer covered by a qualified HDHP, distributions used exclusively to pay for qualified medical expenses continue to be free from federal taxes and state tax (for most states) and excluded from your gross income.

16. **How and when can money be taken out of an HSA?**

Account holders may make a withdrawal (also known as a distribution) at any time. Distributions received for qualified medical expenses not covered by the high deductible health plan are distributed tax-free. Distributions can be requested via your online account.

Unless individuals are disabled, age 65 or older, or die during the year, they must pay income taxes plus an additional percentage (determined by the IRS) on any distribution not used for qualified medical expenses. Individuals who are disabled or reach age 65 can receive non-medical distributions without penalty but must report the distribution as taxable income.

17. **Does my HSA account accrue interest or can I invest the funds?**

With an HSA, the participant may invest their funds if their account balance exceeds $2,000.