



HSA 101

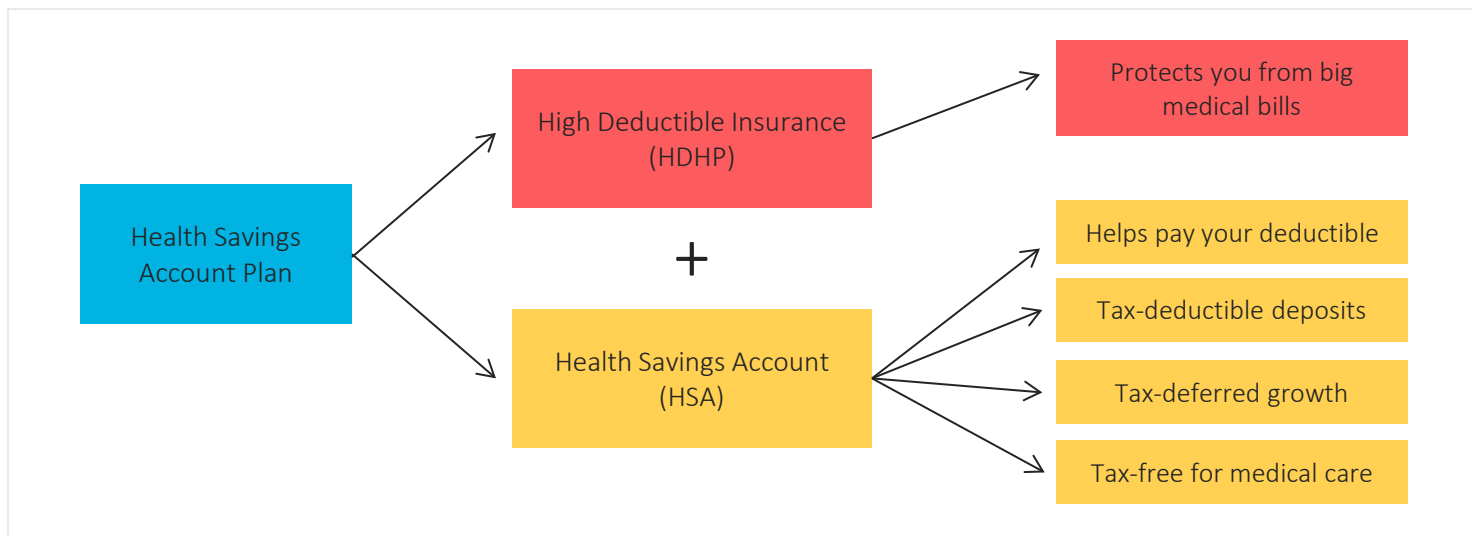
A Quick Overview of the
Health Savings Account Basics

Agenda

- Health Savings Account Features
- HSA Eligibility
- Contributions
- Tax Information
- Distributions
- HSA-Qualified Expenses
- Paying for Medical Services
- Resources

There are two components to the HSA solution:

High-Deductible Health Insurance Plan (HDHP) paired with a Health Savings account (HSA)



HSA Key Features

- ✓ Use HSA dollars to pay for medical expenses tax-free
- ✓ Funds roll over year to year
- ✓ Funds are portable
- ✓ HSAs are owned individually
- ✓ No “use it or lose it” rule
- ✓ HSAs earn interest
- ✓ Funds can be invested
- ✓ HSAs can build up significantly – no balance limit

HSA Eligibility

To open and/or continue contributing to a Health Savings Account, the account holder must meet this criteria:

- Must be enrolled in an HSA-qualified High-Deductible Health Plan (HDHP)
- Cannot be covered by any other insurance that reimburses for health expenses (including a medical FSA)
- Cannot be enrolled in any part of Medicare or Medicaid
- Cannot be claimed as a dependent on another person's tax return
- Must be over 18 years of age



2020 HSA Contribution Limits

	2020
Self	\$ 3,550
Family	\$ 7,100

Note: Individuals over 55 years old can contribute an additional \$1,000 annually to their HSAs.

IRS Contribution Rules

- HSA Contributions are not subject to income tax
- Contributions can be made by anyone
- You can change your contributions at any time throughout the year
- Contributions in excess of the allowable limits must be withdrawn (otherwise incur a 6% excise tax and claim as income)
- Eligible individuals ages 55 or older may contribute “catch-up” contributions of **\$1,000 each year** until enrolling in Medicare (one catch-up per account)



How HSA Contributions Impact Taxes

- HSA contributions are exempt from the following payroll taxes:
 - Social Security
 - Medicare
 - Federal income tax
 - State income tax/unemployment tax (with the exception of California)
- Pre-tax contributions facilitated by an employer are documented on an employee W-2 in Box 12 with a Code “W.”



Annual Tax Documentation

IRS Form 8889:

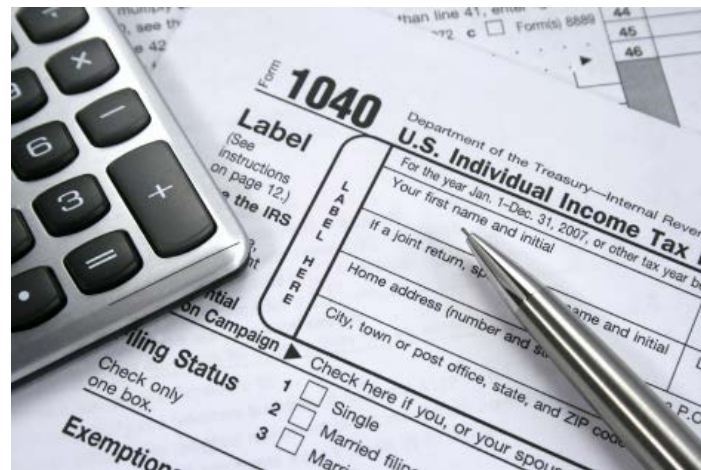
Account holders utilize this form to file taxes. All information to file taxes is available through your bank account information and your employer W-2.

IRS Form 1099-SA:

Details all distributions from the HSA. Customer and IRS receive by January 31.

IRS Form 5498-SA:

Details all contributions into the HSA. Customer and IRS receive by May 31.



What Can You Do with Your HSA Dollars?

- According to IRS guidelines, funds within your HSA can be **used for qualified medical expenses** (See <https://www.irs.gov/pub/irs-pdf/p502.pdf> Publication 502).
- HSA dollars **may be used by the account holder, the account holder's spouse, and any tax dependents.**
- **Distributions can be taken at any time;** HSA reimbursements can be taken for expenses from prior years as long as the account was already established.
- **Save your receipts!** Account holders are responsible for maintaining receipts to prove HSA funds were used for qualified medical expenses if audited by the IRS.

Qualified Medical Expenses

- Doctor and hospital visits
- Medical equipment
- Dental care, braces, dentures
- Vision care, glasses, contacts
- Medications, including many over-the-counter
- Medical-related transport
- Premiums for long-term care insurance
 - Limited to amounts listed in 213(d) 10 of IRS Code
- Premiums for COBRA
- Premiums for individuals over the age of 65
 - Retirement health benefits
 - Medicare premiums



Non-Medical HSA Distributions

Under Age 65:

It is possible to withdraw funds, but not advisable. **Must pay income taxes plus 20% penalty on the non-medical dollar amount.**

65+ Years Old:

No penalties for non-qualified distributions. Pay only income taxes on those dollar amounts withdrawn for non-medical items.

Payment Process

Payment to a Medical Service Provider (Doctor, Lab or Hospital, etc.):

- Provide your insurance card & explain you have an HDHP.
- Most physicians allow you to pay after you receive their bill.
- Match your bill to the EOB (Explanation of Benefits) sent by your insurance.

Payment at the Pharmacy:

- Pharmacies immediately access the rate for prescriptions.
- You can use your HSA debit card to pay for qualified expenses, or pay with another method and reimburse yourself later.

Payment Arrangements:

- Medical bills can often be broken down into smaller payments.
- Set up payments directly from your HSA as needed.

SAVE YOUR
RECEIPTS
in case of audit!

THANK YOU!

