

# HSA 101

## A Review of Health Savings Account Basics





# HSA Basics

# HSA Key Features

Use HSA dollars to pay for medical expenses tax-free!

Funds roll over year to year!

Funds are portable!

Pre-tax contributions!



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**

## HSA account holders:

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

# HSA Contributions

## IRS Maximum 2016 Contribution Limits

Individual     \$3350

Family        \$6750

## Contributions

- Not subject to income tax
- Can be made by anyone
- Must conform to allowable limits  
*Over-contributions must be withdrawn to avoid extra taxes*

Eligible individuals aged 55 or older may contribute “catch-up” contributions of **\$1000.00** each year until they enroll in Medicare (one catch-up per account)



# Tax Details

# 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  
*This savings isn't automatic, but depends upon the tax laws of the state of residence*

Pre-tax contributions facilitated by an employer are documented on employee W-2's in **Box 12 with a Code W.**

# Annual Tax Documentation



## IRS Form 8889

HSA account holders utilize this form to file taxes  
All information to file taxes is available online  
and via the employer's W-2

## IRS Form 1099-SA

Details distributions; Customer and IRS receive by January 31<sup>st</sup>

## IRS Form 5498-SA

Details contributions; Customer and IRS receive by May 31<sup>st</sup>





# Paying for Medical Services

# What can you do with your HSA dollars?

According to the IRS, funds  
within an HSA can be used to pay  
for *qualified medical expenses*

View [www.irs.gov](http://www.irs.gov)

Publication 502 includes a  
complete listing

HSA dollars may be used by the  
account holder, the account  
holder's spouse, and any tax  
dependents

# Qualified Medical Expenses



- Most medical services provided by your insurance
- Dental Services
- Vision Care
- Alternative Remedies
- Certain premiums in rare circumstances
- OTC Drugs - only with Doctor's prescription

# Distributions

- Distributions can be taken at any time
- HSA reimbursements can be taken for expenses from prior years if the HSA was in place at time of purchase
- Save receipts!

# Non-Medical HSA Distributions

## Under Age 65

- It is possible to withdraw funds, but may not be “advisable”
- You may be required to pay income taxes plus 20% penalty

## 65+ Years Old

- No penalties for non-qualified distributions
- Pay income taxes on withdrawals

# Payment Process

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

Provide your insurance card & explain you have a high deductible plan. Most physicians allow you to pay after you receive a bill.

Review the EOB (Explanation of Benefits) sent by your insurance carrier to make sure you are billed correctly.

## **Payment at the Pharmacy:**

Pharmacies immediately access the negotiated rate for prescriptions.

You can use your card to pay for qualified expenses, or pay with another method and reimburse yourself at a later time.

## Managing a Deductible

Medical bills can often be broken down into smaller payments.

If you do not have available funds in your HSA, ask your provider's billing office about arranging a simple payment plan.

You can set up payments directly from your HSA

When possible, seek ways to pay less for the same type of product or level of care (i.e. – Generic vs. Brand-name prescriptions)

Thank you!