



# Health Savings Account 101

## Tax-Free Savings for Medical Expenses

### WHAT IS A HEALTH SAVINGS ACCOUNT (HSA)?

An HSA is an individual savings account that can be used to pay for qualified medical expenses. This account is available in conjunction with a high deductible health plan (HDHP). This year, your employer will be offering an HDHP option which will allow you to open an HSA and take advantage of terrific tax savings! The money in your account accumulates on a tax-deferred basis and can be rolled over from year to year. You can save your money for future medical expenses and as long as you use the money for a qualified medical expense, your funds are NEVER taxed.

### HOW DOES AN HSA WORK?

A high deductible health plan offers a significantly lower monthly premium, in exchange for a higher deductible. The money you would normally spend on monthly premium can be contributed by you and/or your employer on a pre-tax basis to your HSA account. You will receive a debit card to use for qualified medical expenses, which will draw from your HSA. Distributions from your HSA are tax-free when used to pay for qualified medical expenses.

### HOW CAN I SAVE MONEY WITH AN HDHP & HSA?

- Premiums for high deductible health plans are lower than traditional plans.
- HSAs have a tax-favored status.
- Interest earned on the money in an HSA is tax-deferred.
- Using HSA dollars to pay for qualified medical expenses is tax free.

### WHAT IS CONSIDERED A QUALIFIED MEDICAL EXPENSE?

A full list of qualified expenses for an HSA is identified in the IRS Section 213(d).\*

Some of the most common expenses include:

- Contact lenses
- Eyeglasses
- LASIK surgery
- Office visit co-pays
- Prescription drugs
- Chiropractor visits
- Vaccinations
- Dental treatment

\*You should refer to [www.irs.gov/pub/irs-pdf/p502.pdf](http://www.irs.gov/pub/irs-pdf/p502.pdf) (URL still pending for 2018 Returns) for a full list of qualified expenses. If HSA funds are used for non-qualified medical expenses, those purchases are subject to 10% penalty and will be considered income for tax purposes.

### WHAT ARE THE BENEFITS OF HAVING AN HSA ACCOUNT?

- Most accounts offer a debit card for convenient access to your money.
- The contributions are 100% tax deductible.
- The account earns interest.
- The money withdrawn for qualified medical expenses remains tax-free.
- Unused funds roll over year to year for future medical expenses or income at age 65.
- Your HSA is portable and can move with you from job to job.

### HOW DO I PAY THE BILL AT MY DOCTOR'S OFFICE WITH AN HSA?

If you have an HSA, it's important not to overpay for medical expenses. Since you are paying "cash" from your HSA, if you pay the entire bill up front, you may be paying too much. For example, most claims must be re-priced before you know what you owe. If you pay cash at the time of service, chances are, you pay before the network discounts are applied. This may pose a problem if you are reimbursed by your physician's office, because you have technically made an unqualified withdrawal from your HSA.

Ask your provider to file the claim with your insurance so any applicable discounts may be applied before you submit payment.

### WHO CAN OPEN AN HSA?

If you have an HDHP, chances are you can open an HSA. However:

- You must have a valid Social Security number and a primary residence in the U.S.
- You can't be covered on another health plan unless it is also a qualified high deductible health plan (including Medicare).
- You can't be claimed as a dependent on another person's tax return (unless it's your spouse).
- You can't be covered by a general purpose health care flexible spending account (FSA) or health reimbursement account (HRA).
- If your spouse has an FSA for medical reimbursement then you are considered covered by the FSA as well (limited-purpose FSA or HRA might be permitted).

### HOW MUCH CAN I CONTRIBUTE TO MY HSA?

For the calendar year of 2019, the maximum HSA contribution limits are: \$3,500 for single coverage and \$7,000 for family coverage. The annual limits include contributions made by your employer as well as your own contributions. Employees age 55 and older can make an additional catch-up contribution of \$1,000 for 2019.