

# Lake Havasu Schools EBT (LHSEBT) Health Savings Account (HSA)

## Who's eligible to open an HSA?

To be eligible to open an HSA, an individual must meet the following requirements:

- Participate in a qualified high deductible health plan (HDHP)
  - ⇒ Minimum required deductible
    - ◆ \$1,350 for self-only coverage
    - ◆ \$2,700 for family coverage
  - ⇒ Maximum out-of-pocket
    - ◆ \$6,650 for self-only coverage
    - ◆ \$13,300 for family coverage
- Have no other health coverage except what is permitted as other health coverage (see #1 below)
- Not be enrolled in Medicare
- Not be claimed as a dependent on someone else's tax return

## Additional Details

1. To be eligible for a health savings account, an individual must be covered by an HSA-qualified HDHP and must not be covered by other health insurance that is not an HDHP. Certain types of insurance are not considered "health insurance" and will not jeopardize an individual's eligibility for an HSA. Automobile, dental, vision, disability and long-term care insurance are allowed. Individuals may also have coverage for a specific disease or illness as long as it pays a specific dollar amount when the policy is triggered. Wellness programs offered by employers are also permitted if they don't pay significant medical benefits.
2. As long as an individual is covered under an HDHP policy, they can be eligible for an HSA (assuming all other eligibility requirements are met). Individuals may still be eligible for an HSA even if the policy is in a spouse's name.
3. Individuals can't have an HSA if a spouse's FSA or HRA can pay for any medical expenses before the HDHP deductible is met.
4. Individuals enrolled in Medicare aren't eligible for an HSA. However, if an individual had an HSA before being enrolled in Medicare, they can keep the account but aren't eligible to make additional contributions.
5. If an individual received any health benefits from the Veterans Administration or one of their facilities, including prescription drugs, in the last three months, they aren't eligible for an HSA.
6. General flexible spending accounts (FSAs) and health reimbursement arrangements (HRAs) may make an individual ineligible for an HSA. If an employer offers a "limited purpose" (limited to dental, vision or preventive care) or "post deductible" (pay for medical expenses after the plan deductible is met) FSA or HRA, then an individual is still eligible for an HSA. If an individual's employer contributes to an HRA that can only be used when the individual retires, the individual is still eligible for an HSA.
7. An individual is not eligible for an HSA if their employer pays or reimburses the individual's medical expenses below the minimum HDHP deductible.
8. If an individual has an embedded individual deductible in family HDHP coverage, they are eligible for an HSA if it is not less than the minimum required family HDHP deductible.

# Lake Havasu Schools EBT (LHSEBT) Health Savings Account (HSA) -

**Q: Do I have to have health insurance to have an HSA?**

A: Yes. To be eligible to open and contribute to an HSA, you need to be enrolled in a qualified high-deductible health plan (HDHP) with a minimum annual deductible of \$1,350 for self-only coverage and \$2,700 for family coverage.

**Q: Who owns the HSA?**

A: You do.

**Q: Does the money in an HSA earn interest?**

A: Yes, and tax-free. Interest will be calculated and credited based on the applicable rate for different tiers of account balances.

**Q: Can I invest the money in my HSA?**

A: Yes. Similar to an IRA, many HSAs let you choose to invest your account balance in stocks/bonds, mutual funds, CDs, and/or annuities.

**Q: Is my HSA FDIC-insured?**

A: Yes. However, monies in investments are not FDIC-insured.

**Q: Can I roll the money from my IRA into my HSA?**

A: Yes. You can make a one-time rollover from your IRA into your HSA. You can't, however, roll money into your IRA from your HSA. Note: A rollover will count against annual contribution amounts.

**Q: Who can put money in my HSA?**

A: Anyone can contribute to your HSA. However, only the account holder and the employer receive tax deductions on monies contributed. And only your contribution is tax-free.

**Q: Do I have to claim contributions from others on my income taxes?**

A: You don't have to claim contributions you receive from others, whether your employer or your family, as gross income on your annual tax return.

**Q: How much money can I contribute to my HSA?**

A: In 2019, the maximum contribution as set by the IRS for an individual account is \$3,500 and the maximum contribution for family coverage is \$7,000. People over the age of 55 can make an additional "catch-up" contribution of \$1,000. These limits are the same regardless of the source of the contribution.

# Lake Havasu Schools EBT (LHSEBT) Health Savings Account (HSA) -

**Q: What happens to the money in my HSA if I leave my job or retire?**

A: You take that money with you wherever you go. The HSA is in your name. It's your account. If you're on Medicare or go to another employer that doesn't have a qualified HDHP, you can still use your HSA money to pay for copays and qualified medical expenses, but won't be able to continue to make contributions to your HSA.

**Q: Does the money I have in my HSA roll over from year to year or do I lose the money at the end of the year?**

A: The money rolls over from year to year. You don't lose the money left in your HSA or the interest it has earned. It's your money.

**Q: Can I take the money out of my HSA any time I want?**

A: Yes. You can take money out anytime tax-free and without penalty as long as it's to pay for qualified medical expenses. If you take money out for other purposes however, you'll have to pay income taxes on the withdrawal plus a 20% penalty.

**Q: What is a qualified medical expense?**

A: Qualified Medical Expenses are those that would generally qualify for the medical and dental expenses income tax deduction as outlined in *IRS Publication 502-Medical and Dental Expenses*. See: <https://www.irs.gov/publications/p502> for a current complete list.

**Q: Do I pay for the full doctor's office visit when I go to the doctor?**

A: You're responsible to pay the amount your insurance has contracted to pay your doctor, typically a discounted rate, until your deductible is met. You can use your HSA for this expense. It's best to have your doctor's office put this charge through to your insurance, so that you receive credit toward your deductible and know exactly what to pay. Some doctors may require that you pay up front, but most bill your insurance and then bill you only once the claim has been processed. Make sure you don't pay more than your portion shown on the Explanation of Benefits (EOB) you receive from your insurance carrier.

**Q: I am a parent on an HSA-based plan, but didn't cover my children under this plan. Can I use the money in my HSA to pay for my children's medical expenses, copays and deductibles?**

A: Yes. The money in your HSA can be used to pay for qualified medical expenses of any family member who qualifies as a dependent on your tax return. However, if the dependent isn't covered under your plan, his/her expenses won't be applied toward your deductible.

# Lake Havasu Schools EBT (LHSEBT) Health Savings Account (HSA) -

**Q: I'm retired. Can I still contribute to my HSA?**

A: Yes, provided you're covered by a qualified HDHP health plan and aren't on Medicare.

**Q: If my spouse is on Medicare, can I contribute to an HSA?**

A: Yes. As long as you are not enrolled in Medicare yourself and are still enrolled in a qualified HDHP, you can contribute to your HSA.

**Q: Can I use the money in my HSA for non-medical expenses?**

A: Yes. If you do though, and are under 65, you'll be taxed on the money you use and assessed a 20% penalty. Once you're 65, you'll be taxed for money used for non-medical expenses but won't pay a penalty.

**Q: Can I use my HSA for eyeglasses, contacts, or LASIK surgery?**

A: Yes. These expenses may not apply to your deductible though.

**Q: Can I use my HSA to pay for dental expenses and orthodontics?**

A: Yes, but again, these expenses may not apply to your deductible.

**Q: Can I use my HSA to pay for voluntary cosmetic surgery?**

A: The HSA can be used for cosmetic surgery only if prescribed by a physician as being medically necessary.