



# HEALTH SAVINGS ACCOUNTS

## FREQUENTLY ASKED QUESTIONS

### WHAT IS AN HSA?

Combines an affordable qualified High Deductible Health Plan (HDHP) and a tax-favored Health Savings Account (HSA)

- Part 1: HDHP – Intended to cover serious illness or injury once the deductible has been met
- Part 2: HSA – Used to cover small and routine medical expenses until the deductible is met, or used as a savings vehicle for future medical expenses

The HSA grows tax-deferred, and if you use your HSA funds for eligible medical expenses, you never have to pay taxes on those funds

### CONTRIBUTIONS

Any adult can open and contribute to an HSA if they:

- Have coverage under a qualified HDHP
- Have no other first-dollar medical coverage (other than first dollar preventative care required under ACA)
- Are not enrolled in Medicare
- Cannot be claimed as a dependent on someone else's tax return

Anyone can contribute to your HSA on your behalf

Single adult children who have coverage under a parent's family HDHP can open their own HSAs and contribute up to the yearly maximum

Contributions can be made up until your tax filing deadline

Contributions to your HSA can be made by you, your employee and/or any third party, but the total contributions are limited annually

- Employer contributions are excludable from income and employment taxes and employee contributions are deductible "above the line"
- Employer contributions must be made on a comparable basis

### WHAT'S IN STORE FOR HSA'S?

- The following legislation some of which has been lobbied for nearly a decade, passed the House of Representatives in July 2018 and are awaiting review and approval in the Senate.
- H.R 1476 Native American Health Savings Improvement Act
- H.R. 6311 Increasing Access to Lower Premium Plans and Expanding Health Savings Accounts Act of 2018
- H.R. 6199 Restoring Access to Medication and Modernizing Health Savings Accounts Act of 2018

### FAMILY PLAN COST COMPARISON

Husband & wife age 45 with 2 children, ages 10 & 15  
(2018 individual rates)

	Traditional	HDHP
ANNUAL PREMIUM	\$24,628	\$18,251
HSA CONTRIBUTIONS	n/a	\$7,000
HSA TAX SAVINGS (@35%)	n/a	-\$2,450
<b>TOTAL W/ NO MEDICAL EXPENSES</b>	<b>\$24,628</b>	<b>\$22,801</b>
SAVINGS W/ NO MEDICAL	n/a	\$8,827**
PLAN DEDUCTIBLE	\$9,750 (\$3,250/person)	\$8,550 (\$2,850/person)
OUT OF POCKET MAX (OOP)	\$14,700 (\$7,350/person)	\$13,100 (\$6,550/person)
<b>TOTAL WITH CATASTROPHIC MEDICAL EXPENSES</b>	<b>\$39,328</b>	<b>*\$28,901</b>
SAVINGS W/ CATASTROPHIC MEDICAL EXPENSES	n/a	\$10,427

\*\$13,100 OOP + \$18,251 Prem + Net HSA \$4550 - \$7000 (use HSA \$\$ for OOP Expenses)

\*\*\$24,628 - \$22,801 + \$7000 (HSA \$\$ that hasn't been used)

### CONTRIBUTION LIMITS

#### 2019 IRS CONTRIBUTION LIMITS

	Single Plan	Family Plan
Maximum Contribution Limit	\$3,500	\$7,000
Catch-up Contribution (55+)	\$1,000	\$1,000

#### 2018 IRS CONTRIBUTION LIMITS

	Single Plan	Family Plan
Maximum Contribution Limit	\$3,450	\$6,900
Catch-up Contribution (55+)	\$1,000	\$1,000

## DISTRIBUTIONS

Withdrawals from an HSA are tax-free provided the funds are used to pay qualified medical expenses (Section 213(d) of the IRC), but only to the extent they are not covered by insurance otherwise

You can use the money in the account to pay medical expenses for yourself, your spouse, or your dependent children, even if they are not covered by your HDHP

At age 65, unused HSA money can be withdrawn for non-medical reasons without penalty (ordinary income tax still applies)

You can generally not use the money for medical insurance premiums, except under specific circumstances, including:

- Any health plan coverage while receiving federal or state unemployment benefits
- COBRA continuation coverage
- Qualified long-term care insurance
- Medicare Premiums (but not Medicare Supplement Premiums)

Any amounts used for purposes other than to pay for “qualified medical expenses” are taxable as ordinary income and subject to an additional 20% penalty.

If you lose your HDHP coverage, you can no longer make contributions to your HSA, but you can still use the funds for eligible expenses.

Upon the accountholder’s death, the assets in the HSA become the property of their named beneficiary.

- Spousal beneficiaries may treat the account as their own
- Non-spousal beneficiaries must pay ordinary income taxes on the funds
- If no beneficiary is named, the assets go to the accountholder’s estate

## EXAMPLES OF IRS-QUALIFIED MEDICAL EXPENSES:

Acupuncture	Drug addiction therapy	Osteopath	Therapy or counseling
Alcoholism treatment	Fertility enhancement	Oxygen	Medical transportation expenses
Ambulance services	(including in-vitro fertilization)	Pregnancy test kit	Transplants
Annual physical examination	Guide dog	Podiatrist	Vaccines
Artificial limb or prosthesis	(or other service animal)	Prescription drugs and medicines	Vasectomy
Birth control pills (by prescription)	Gynecologist	(over-the-counter drugs are not	Vision care
Chiropractor	Hearing aids and batteries	IRS-qualified medical expenses	(including eyeglasses,
Childbirth/delivery	Hospital bills	unless prescribed by a doctor)	contact lenses, lasik surgery)
Convalescent home	Insurance premiums**	Prenatal care & postnatal	Weight loss programs
(for medical treatment only)	Laboratory fees	treatments	(for a specific disease
Crutches	Lactation expenses	Psychiatrist Psychologist	diagnosed by a physician – such
Doctor’s fees	Lodging	Smoking cessation programs	as obesity, hypertension, or heart
Dental treatments	(away from home for	Special education tutoring	disease)
(including x-rays, braces,	outpatient care)	Surgery	Wheelchairs
dentures, fillings, oral surgery)	Nursing home	Telephone or TV equipment to	X-rays
Dermatologist	Nursing services	assist the hearing or vision	
Diagnostic services	Obstetrician	impaired	
Disabled dependent care			

\* This list is not comprehensive. It is provided to you with the understanding that HSA Bank is not engaged in rendering tax advice. The information provided is not intended to be used to avoid federal tax penalties. For more detailed information, please refer to IRS Publication 502 titled, “Medical and Dental Expenses,” Catalog Number 15002Q. Publications can be ordered directly from the IRS by calling 1-800-TAXFORM. If tax advice is required, you should seek the services of a professional.

\*\* Insurance premiums only qualify as an IRS-qualified medical expense: while continuing coverage under COBRA; for qualified long-term care coverage; coverage while receiving unemployment compensation; for any healthcare coverage for those over age 65 including Medicare (except Medicare supplemental coverage).

*Note: This information is not intended to provide legal or tax advice. Please consult a CPA and/or attorney for matters concerning tax planning and employment-related practices.*



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