



### Frequently Asked Questions

#### 1) What is a HSA?

Health Savings Accounts (HSAs) are tax-advantaged medical savings accounts available to United States taxpayers who are enrolled in a High Deductible Health Plan (HDHP). HSAs are owned by the individual and unlike a Flexible Spending Account (FSA), HSA funds roll over and accumulate year over year if not spent, with the ability to earn tax-free interest on the account. HSA funds may be used to pay for qualified medical expenses at any time without federal tax liability.

#### 2) Who is eligible to open a HSA?

If you have a qualified High Deductible Health Plan (HDHP) -Additionally:

- You must have a valid Social Security Number (SSN) and a primary residence in the U.S.
- You cannot be covered by any other type of health plan, including Medicare Part A or Medicare Part B.
- You cannot be covered by TriCare.
- You cannot have accessed your VA medical benefits in the past 90 days (to contribute to a HSA).
- You cannot be claimed as a dependent on another person's tax return (unless it's your spouse).
- You must be covered by the qualified HDHP on the first day of the month.

#### 3) Can I be covered under another health plan and still open a HSA?

If you are covered by another health plan (such as through your spouse's employer), that health plan must meet the criteria for a qualified HDHP. If you are enrolled in a health plan that does NOT meet the criteria for a HDHP, you may NOT set up a HSA and you must stop contributing to any HSA you do have.

You may be covered by the following plan types while still being eligible to set up a HSA: dental; vision; short- and long-term disability; life and accidental death; long-term care; insurance for specific types of diseases or illnesses, such as cancer plans; hospital indemnity plans; limited-purpose FSA (dental & vision only); and post-deductible Health Reimbursement Arrangements (HRAs).

NOTE: if a spouse's Flexible Spending Account (FSA) can pay for any medical expenses before the HSA-qualified plan deductible is met, you are not eligible to open a HSA. For you to participate in a health FSA and a HSA at the same time, the FSA, whether provided by your or your spouse's employer, must typically be limited to reimbursing dental expenses, vision care expenses and/or medical expenses that exceed your HDHP deductible. Check with your or your spouse's benefits administrator to determine if you can participate in any health FSA offered by your or your spouse's employer.

#### 4) What are the advantages of opening a HSA?

HSA is a unique tax-advantaged account you can use to pay for current or future IRS-qualified medical expenses. You'll have:

- A tax-advantaged savings account that you use to pay for IRS-qualified medical expenses as well as deductibles, co-insurance, prescriptions, vision and dental care
  - Contributions to your HSA can be made with pre-tax dollars, which reduces your taxable income.
  - Any after-tax contributions that you make to your HSA are tax deductible.
  - HSA funds earn interest tax free and when used for IRS-qualified medical expenses are also free from tax. **Interest earned is taxed in NJ.**
- Unused funds that will roll over year to year. There's no "use or lose it" penalty.
- Potential to build more savings through investing.
- Additional retirement savings. After age 65, funds can be withdrawn for any purpose without penalty.

#### 5) When may I begin contributing to the HSA?

You may begin contributions to the HSA on the first day of the month following your enrolling in the High Deductible Health Plan

#### 6) How much can I contribute to my HSA?

In 2018, the maximum contribution limits are \$3,450 for single plans and \$6,900 for family plans. Individuals age 55 and older can make an additional \$1,000 catch-up contribution.

### **7) What is a "catch-up" contribution?**

Eligible individuals over the age of 55 are allowed to make additional "catch-up" contributions to their HSAs. The catch-up amount is \$1,000 and if you turn 55 during the year you can contribute the full \$1,000.

### **8) Which expenses are considered IRS-qualified medical expenses?**

You can pay for a wide range of IRS-qualified medical expenses with your HSA, including many that aren't typically covered by health insurance plans. This includes deductibles, co-insurance, prescriptions, dental and vision care, and more. For a complete list of IRS-qualified medical expenses, visit [irs.gov](https://www.irs.gov).

### **9) How do I use my HSA funds to pay for IRS-qualified medical expenses?**

You can pay for IRS-qualified medical expenses with funds from your HSA by using your debit card. You can also pay for part of all of your IRS-qualified medical expenses out-of-pocket and reimburse yourself later with HSA funds.

### **10) Can I use my HSA for a spouse?**

You can use your HSA to cover qualified medical expenses for you, your spouse, and any dependent children included on your income tax return.

### **11) Do HSA funds rollover?**

Any unused funds in your HSA automatically roll over each year. You will not lose any unspent money in your account.

### **12) Do I need to submit receipts for my HSA expenses?**

No. You do not need to submit any receipts to us or file any claims. Just be sure to use the money for IRS-qualified medical expenses and save your receipts for tax purposes.

### **13) Can a HSA be used to pay previous year expenses?**

You can pay or reimburse yourself for any eligible medical expenses incurred after your HSA was established.

### **14) What if I am no longer covered under a high deductible health plan (HDHP)?**

Your HSA funds are never lost due to changes in employment or health plan. If at some point you are no longer covered by a HDHP, you still have access to your funds and can use them to pay for IRS-qualified medical expenses; however you are simply no longer eligible to make contributions.

### **15) What happens to your HSA when you enroll in Medicare?**

HSA eligibility ends upon enrolling in Medicare. You can still contribute the prorated IRS contribution limit until the IRS contribution deadline. Once you enroll in Medicare, you can keep the account open and continue to use funds already in the account.

### **16) What tax documents will you receive?**

The 1099-SA is used to report any distributions from your Health Savings Account (HSA) during the tax year. You must report distributions from your HSA on IRS Form 8889. Please speak with your tax advisor if you need help with this form.

The 5498-SA form reports all contributions to your HSA for the tax year. You must report contributions from your HSA on IRS Form 8889. Please speak with your tax advisor if you need help with this form.

Send an email to [Flex@CustomDesignBenefits.com](mailto:Flex@CustomDesignBenefits.com)  
if you have any other questions about our Health Savings Accounts services