The ABCs of HSAs
HSAs Have Two Parts

• Health Savings Account
• High Deductible Health Plan
• HDHP must be HSA Qualified
2017
Minimum Deductible/OOP
• $1,300 Single
• $2,600 Family
Maximum Deductible/OOP
• $6,550 Single
• $13,100 Family

2018
Minimum Deductible/OOP
• $1,350 Single
• $2,700 Family
Maximum Deductible/OOP
• $6,650 Single
• $13,300 Family
HSA “QUALIFIED” PLAN

• Must be more than just HDHP
• Preventive care covered upfront
• Cannot have co-pays (except for preventive care)
• HSA Qualified - Co-pays, Rx, Deductibles & Coinsurance = OOP Max
2017 CONTRIBUTION LIMITS

• Single: $3,400
• Family: $6,750
• Age 55+: $1,000 Catch-Up

2018 CONTRIBUTION LIMITS

• Single: $3,450
• Family: $6,900
• Age 55+: $1,000 Catch-Up
HSA ELIGIBLE EXPENSES

• Healthcare
• Dental
• Vision
• COBRA Premium
• LTC
• Medicare part B & D
• Individual Insurance Premiums*

* Individual health premiums while receiving state or federal unemployment benefits
HSA Contributions

• No restrictions on timing of contributions
• Payroll schedule, monthly, quarterly or lump sum
• Contributions for prior year can be made as late as April 15th of following year
• Employers must allow employee to change contributions at least once per month
• Employees can make their own contributions outside of payroll
No Need to Predict The Future

- Funds can be contributed after claims are incurred
- Claims can be paid out of the account or reimburse yourself
- Claims have to be incurred after the account has been established
- Unlike FSA, no “use it or lose it”
HSA funds rollover year-to-year

- Funds earn tax-free interest
- Investment Income
- Employees own the account
- HSA’s are permanent
- HSA’s are portable
Triple Tax Benefit

- Contributions are tax deductible
- Earnings are tax-free
- Withdrawals for qualified medical expenses are tax free
Two Types Qualified Deductibles

- Embedded – Individual Deductible
- Aggregate – Family Deductible
• Cannot be claimed as a dependent
• Must Be HSA Qualified HDHP
• Have no other health coverage
• Not enrolled in Medicare
• If eligible for Medicare, participant must enroll out of Medicare
• FSA balances must be run-out
• Auto
• Accident
• COBRA
• Dental
• Disability
• Hospital Indemnity
  (if pays fixed cost/day, per admission)
• Long Term Care
• Specified Disease
• Vision
• Wellness
• If each spouse is eligible both can open an HSA
• Total contribution cannot exceed maximum allowed
• Joint accounts are not permitted
• If both over 55, each spouse can make separate catch-up contributions, if they have separate accounts
• Individual Accountholders
• Employers
• Family Members
• Aggregate – Family Deductible
• Anyone
Pro-Rata Contributions - If coverage lost/dropped prior to Dec. 1st

- Contributions must be pro-rated based upon number months covered
- Excess contributions/earnings must be reported as taxable income
- Subject to 6% penalty on excess contributions for every year they remain in HSA
- Have until April 15th to withdraw
- Solution – elect COBRA and use funds to pay COBRA premium
Last Month Testing Rule

- Individuals must maintain HSA eligibility for remainder of calendar year + the entire next year
- Penalty: taxes for year testing fails + 10% penalty on amounts in excess of pro-rated amount
- Exceptions – death & disability
- NOTE: Employers & HSA account trustees are not responsible for reporting whether and individual remains eligible
Age 26 Dependent Child Rule

- Parents CANNOT use HSA funds to pay for adult children expenses, if child is not a tax dependent
- However, adult child is eligible under HDHP & can establish and contribute to their own HSA account
- Adult child can even contribute family amount and parents can also contribute family amount
Same Sex Marriages

• As of the Supreme Court’s 2015 ruling; all states must allow for same-sex marriages and treatment as spouses under HSA law for married same-sex couples
Domestic Partners

• Domestic partner can be covered by the HSA family policy
• Allows for full family contribution to the HSA
• BUT…HSA money cannot be used for domestic partner expenses
• Note: domestic partner can set-up their own HSA – which would allow both partners to contribute the family maximum contribution.
Employer Contributions

• Employers can contribute to employee HSA
• No requirement that an employer has to contribute
• Employer contributions are tax deductible
• Contributions are tax-free to the employee
• Once an employer contributes to an HSA, the money belongs to the employee
• Employers can also contribute to individual HSAs
Rules, Rules, Rules

- Section 125 Nondiscrimination rules apply
- Sec 125 plan allows for matching contributions & tax savings
- Partners may have an HSA, but they may not contribute to it through the cafeteria plan (any contributions they make are taxable), and they also may not receive pre-tax employer contributions (but employer contributions are allowed on a taxable basis).
Pay Now or Pay Later

• HSA funds can be used at Point of Service or later

• Save those receipts

• Can reimburse yourself later with HSA dollars as long as you have receipts

• Accountholder is responsible for keeping track of expenses, not the administrator
Penalties

- 20% + taxes for HSA funds used for ineligible expenses
- 6% + taxes for excess contributions
- 10% + taxes for failure to satisfy “last-month” rule
- Over age 65 can use HSA funds for ineligible expenses – no penalty, but must report as income
- Note: substantiation of HSA claims not required
Tax Forms

- **W2** – will show any employer contributions
- **1099A** – sent by HSA administrator; shows total contributions
- **5498SA** - sent by HSA administrator in late May (for recordkeeping purposes only – shows total contributions, including those made between 1/1 – 4/15)
- **Form 8889** – shows the amount of HSA contributions which can be deducted from income (accountholder must file this form with taxes)
- **Publication 969** – Rules & Regulations
Contact

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