The ABCs of HSAs
HSAs Have Two Parts

- Health Savings Account
- Qualified High Deductible Health Plan
2020 CONTRIBUTION LIMITS

- Single: $3,550
- Family: $7,100
- Age 55+: $1,000 Catch-Up
2020
Minimum Deductible/OOP
• $1,400 Single
• $2,800 Family
Maximum Deductible/OOP
• $6,900 Single
• $13,800 Family
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 (tax deadline) of following year
- You can also make their 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 close”
HSA funds rollover year-to-year

- Funds earn tax-free interest
- Investment Income
- The account belongs to you
- 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
• Have no other health coverage
• Not enrolled in Medicare
• If eligible for Medicare, participant must enroll out of Medicare
• 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 an 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.
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 disbursement
- **5498SA** - sent by HSA administrator in late May (for recordkeeping purposes only – shows total contributions, including those made between 1/1 – 4/15)
Questions?

Contact American Benefits Group
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