The ABCs of HSAs
HSAs Have Two Parts

- Health Savings Account
- Qualified High Deductible Health Plan
2023 CONTRIBUTION LIMITS

• Single: $3,850
• Family: $7,750
• Age 55+: $1,000 Catch-Up
2023

Minimum Deductible/OOP
• $1,500 Single
• $3,000 Family

Maximum Deductible/OOP
• $7,500 Single
• $15,000 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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