



AMERICAN BENEFITS GROUP

Empowering Technology. Exceptional Service.



The ABCs of HSAs



HSAs Have Two Parts

- Health Savings Account
- Qualified High Deductible Health Plan





CONTRIBUTION LIMITS

[See annual IRS Limits
Linked Here.](#)





Minimum Deductible/OOP

Maximum Out-of-pocket

[See annual IRS Limits
Linked Here.](#)





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



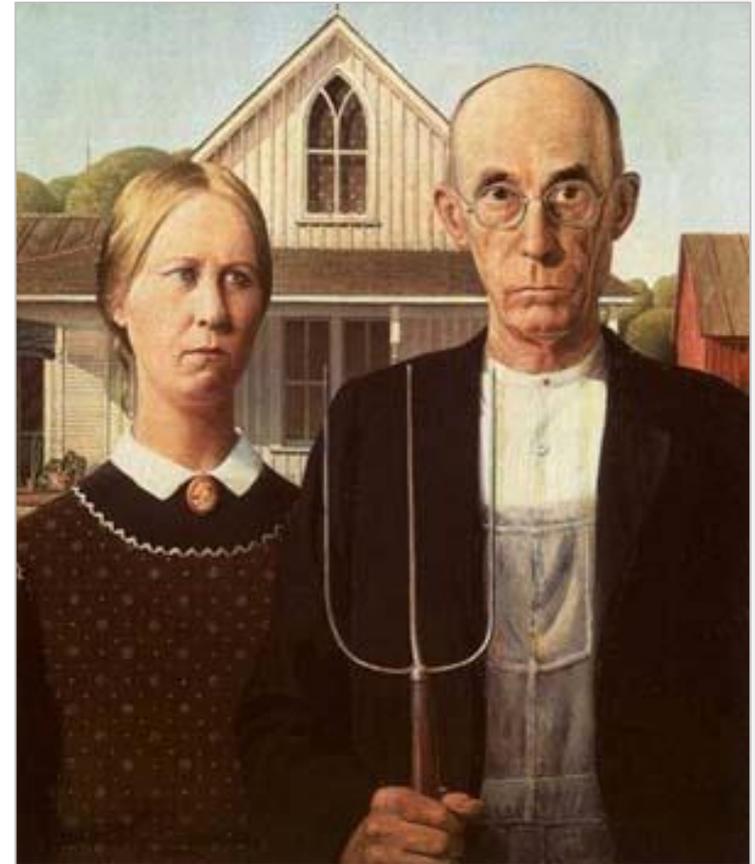


- Cannot be claimed as a dependent
- Have no other health coverage
- Not enrolled in Medicare
- If eligible for Medicare, participant must enroll out of Medicare





- 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

TESTING
DO NOT
DISTURB



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

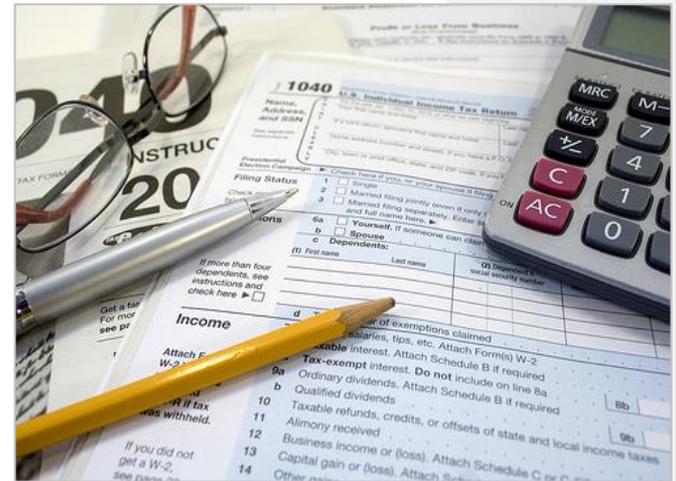
- 20% + taxes for HSA funds used for ineligible expenses
- 6% + taxes for excess contributions
- 10 % + taxes for failure to satisfy “last-month” rule
- Over age 65 can use HSA funds for ineligible expenses – no penalty, but must report as income
- Note: substantiation of HSA claims not required





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

800-499-3539

support@amben.com

www.amben.com/hsa

