

HSA Quick Guide

Basic HSA Rules

A **High Deductible Health Plan (HDHP)** and a **Health Savings Account (HSA)** are not the same.

- a) An HDHP is the underlying health insurance plan. It must meet some minimum and maximum requirements to be considered “qualified” in order to allow an employee to make HSA contributions.
- b) An HSA is an individual trust account set up for an individual to make contributions tax-free for current or future eligible medical expenses. The HSA trustee is generally a bank or insurance company.

Contributions

You can always own an HSA; however, you must be covered by an HDHP in order to make contributions to an HSA. If you are also covered by a non-qualified health plan, such as through your spouse’s health plan, you cannot make contributions to an HSA. If you are age 65, and receiving any Medicare benefits, you cannot make HSA contributions.

Eligibility to make an HSA contribution is determined monthly. You must be covered on an HDHP on the first of the month to make an HSA contribution for that month. For each month you are covered on an HDHP, you can make one-twelfth of the annual HSA contribution maximum. One exception is the “last month rule”, which allows an eligible employee to contribute the full year HSA contribution maximum, if they are eligible on the first day of the last calendar month. NOTE: the employee must remain HSA eligible for the following 12 months.

Contributions for a calendar year can be made as late as April 15th of the following year and, at age 55, an HSA eligible employee can increase their annual HSA contribution by \$1,000.

Distributions

Even if you are no longer covered by an HDHP, you can always take distributions from your HSA for eligible medical expenses.

Receipts/invoices for HSA distributions should be saved indefinitely to prove eligible expenses in the event of an IRS audit.

You can take distributions from your HSA account for any eligible medical expenses incurred by you, your spouse, or your dependents, even if they are not covered by your HDHP. You can take distributions for eligible expenses incurred all the way back to the start of your HSA account. No HSA distribution is allowed for expenses previously reimbursed through a flex plan.

Tax impact of distributions from an HSA:

- a) Tax free, if distributions are for eligible medical expenses.
- b) Non-medical distributions:
 - a. Before age 65 – Ordinary income plus a 20% penalty
 - b. After age 65 - Ordinary income with no penalty

Health Insurance Coverage and HSA/FSA Scenarios



Where you see this symbol, use caution if you have the type of account set up in the scenario for a participant. Additional ongoing monitoring is typically required.

Unmarried Employee

1. Employee is covered under your group **non-qualified** health plan.
 - **HSA options** – None at this time for Employee.
 - **FSA options** – the Employee could set up a full medical FSA up to the annual election limit set by Employer (subject to annual FSA limit).
2. Employee is covered under your group **qualified HDHP**.
 - **HSA options** – Employee could set up an individual HSA account and contribute the single HSA annual contribution limit, including being able to contribute an additional \$1,000 each year once they reach age 55.
 - **FSA options** – If the Employee is contributing to an HSA, the Employee could set up a limited scope FSA – vision and dental only (LPF), up to annual election limit set by Employer (subject to annual FSA limit), OR



If the Employee is not contributing to an HSA, the Employee could set up a full medical FSA up to the annual election limit set by Employer (subject to annual FSA limit).

Married Employee

1. Employee has single coverage under your group **non-qualified** health plan. Spouse has single coverage through their employer in a **non-qualified** health plan.

- **HSA options** – None at this time for Employee or Spouse.
- **FSA options** – the Employee could set up a full medical FSA up to the annual election limit set by Employer (subject to annual FSA limit).

2. Employee has single coverage under your group ***non-qualified*** health plan. Spouse has single coverage through their employer in a ***qualified HDHP***.

- **HSA options** – None at this time for Employee. The Spouse could set up an individual HSA account and contribute the single HSA annual contribution limit, including being able to contribute an additional \$1,000 each year once they reach age 55.
- **FSA options** – If the Spouse is contributing to an HSA, the Employee could set up a full medical FSA – self and dependents only, no spouse (LP2), up to the annual election limit set by Employer (subject to annual FSA limit), OR

If the Spouse is contributing to an HSA, the Employee could set up a limited scope FSA – vision and dental only (LPF), up to annual election limit set by Employer (subject to annual FSA limit), OR



If the Spouse is not contributing to an HSA, the Employee could set up a full medical FSA up to the annual election limit set by Employer (subject to annual FSA limit).

3. Employee has single coverage through your group ***qualified HDHP***. Spouse has single coverage through their Employer in a ***qualified HDHP***.

- **HSA options** – Employee and Spouse could each set up an individual HSA account and contribute the single HSA annual contribution limit, including both being able to contribute an additional \$1,000 each year once they reach age 55.
- **FSA options** – If the Employee and Spouse are contributing to an HSA, the Employee could set up a limited scope FSA – vision and dental only (LPF), up to annual election limit set by Employer (subject to annual FSA limit), OR



If the **Employee** is not contributing to an HSA, the Employee could set up a full medical FSA – self and dependents only, no spouse (LP2), up to the annual election limit set by Employer (subject to annual FSA limit), OR



If the **Employee and Spouse** are not contributing to an HSA, the Employee could set up a full medical FSA up to the annual election limit set by Employer (subject to annual FSA limit).

4. Employee has single coverage through your group **qualified HDHP**. Spouse has single coverage through their employer in a **non-qualified** health plan.
- **HSA options** – Employee could set up an individual HSA account and contribute the single HSA annual contribution limit, including being able to contribute an additional \$1,000 each year once they reach age 55.
 - **FSA options** – If the Employee is contributing to an HSA, the Employee could set up a limited scope FSA – vision and dental only (LPF), up to annual election limit set by Employer (subject to annual FSA limit), OR



If the Employee is not contributing to an HSA, the Employee could set up a full medical FSA up to the annual election limit set by Employer (subject to annual FSA limit).

5. Employee has family coverage under your group **non-qualified** health plan. Spouse is covered under your group health plan, and does not have any additional coverage through their Employer.
- **HSA options** – None at this time for Employee or Spouse.
 - **FSA options** – the Employee could set up a full medical FSA up to the annual election limit set by Employer (subject to annual FSA limit).
6. Employee has family coverage under your group **non-qualified** health plan. Spouse has single coverage through their Employer in a **non-qualified** health plan.
- **HSA options** – None at this time for Employee or Spouse.
 - **FSA options** – the Employee could set up a full medical FSA up to the annual election limit set by Employer (subject to annual FSA limit).
7. Employee has family coverage under your group **non-qualified** health plan. Spouse has single coverage through their Employer in a **qualified HDHP**.
- **HSA options** – None at this time for Employee. If the Spouse is covered under the Employee's non-qualified family health plan, the Spouse cannot make HSA contributions. If the Spouse is excluded from the Employee's non-qualified family health plan, the Spouse could set up an individual HSA account and contribute the single HSA annual contribution limit, including being able to contribute an additional \$1,000 each year once they reach age 55.

- **FSA options** – If the Spouse is contributing to an HSA, the Employee could set up a full medical FSA – self and dependents only, no spouse (LP2), up to the annual election limit set by Employer (subject to annual FSA limit), OR

If the Spouse is contributing to an HSA, the Employee could set up a limited scope FSA – vision and dental only (LPF), up to annual election limit set by Employer (subject to annual FSA limit), OR



If the Spouse is not contributing to an HSA, the Employee could set up a full medical FSA up to the annual election limit set by Employer (subject to annual FSA limit).

8. Employee has family coverage under your group **qualified HDHP**. Spouse is covered under your group health plan, and does not have any additional coverage through their Employer.

- **HSA options** – Employee and Spouse must decide how to structure HSA contributions. They could both set up individual HSA accounts and make contributions; however, they must use the family HSA annual contribution limit since one or both is covered under family coverage. If they both have HSA accounts, they can both contribute an additional \$1,000 each year once they reach age 55.

- **FSA options** – If the Employee or Spouse is contributing to an HSA, the Employee could set up a limited scope FSA – vision and dental only (LPF), up to annual election limit set by Employer (subject to annual FSA limit), OR



If the Employee and Spouse are not contributing to an HSA, the Employee could set up a full medical FSA up to the annual election limit set by Employer (subject to annual FSA limit).

9. Employee has family coverage under your group **qualified HDHP**. Spouse has single coverage through their employer in a **non-qualified** health plan.

- **HSA options** – Employee could set up an individual HSA account and contribute the family HSA annual contribution limit, including being able to contribute an additional \$1,000 each year once they reach age 55. The Spouse cannot contribute to an HSA since they are covered under a non-qualified health plan.

- **FSA options** – If the Employee is contributing to an HSA, the Employee could set up a limited scope FSA – vision and dental only (LPF), up to annual election limit set by Employer (subject to annual FSA limit), OR



If the Employee is not contributing to an HSA, the Employee could set up a full medical FSA up to the annual election limit set by Employer (subject to annual FSA limit).

10. Employee has family coverage under your group **qualified HDHP**. Spouse has single coverage though their Employer in a **qualified HDHP**.

- **HSA options** – Employee and Spouse must decide how to structure HSA contributions. They could both set up individual HSA accounts and make contributions; however, they must use the family HSA annual contribution limit since one or both is covered under family coverage. If they both have HSA accounts, they can both contribute an additional \$1,000 each year once they reach age 55.
- **FSA options** – If the Spouse or Employee is contributing to an HSA, the Employee could set up a limited scope FSA – vision and dental only (LPF), up to annual election limit set by Employer (subject to annual FSA limit), OR



If the Spouse and Employee do not contribute to an HSA, the Employee could set up a full medical FSA up to the annual election limit set by Employer (subject to annual FSA limit).

11. Employee is eligible for coverage under your group health plan but does not elect coverage. Instead, the Employee is covered under the Spouse's **non-qualified** health plan.

- **HSA options** – None at this time.
- **FSA options** – the Employee could set up a full medical FSA up to the annual election limit set by Employer (subject to annual FSA limit).

12. Employee is eligible for coverage under your group health plan but does not elect coverage. Instead, the Employee is covered under the Spouse's **qualified HDHP**.

- **HSA options** – Employee and Spouse must decide how to structure HSA contributions. They could both set up individual HSA accounts and make contributions; however, they must use the family HSA annual contribution limit since one or both is covered under family coverage. If they both have HSA accounts, they can both contribute an additional \$1,000 each year once they reach age 55.
- **FSA options** – If the Spouse or Employee is contributing to an HSA, the Employee could set up a limited scope FSA – vision and dental only (LPF), up to annual election limit set by Employer (subject to annual FSA limit).



If the Spouse and Employee do not contribute to an HSA, the Employee could set up a full medical FSA up to the annual election limit set by Employer (subject to annual FSA limit).