

HSA – Frequently Asked Questions Members

Like knowing that you're spending on health care costs? Then an HSA may be just the right thing for you. It puts your health care spending in your hands, which is pretty cool.

Want to know a little more? Check out these frequently asked questions on HSAs.

Q What's an HSA?

A Think of an HSA as a special bank account for medical costs. You can put money into your HSA through payroll or direct deposits. As this amount grows over time, you can save it or spend it on eligible medical expenses. And the money in your HSA is yours to keep, even if you switch jobs. It's tax-exempt and your funds roll over from year to year so you can save for future health care needs.

Thinking about opening an HSA? Make sure you're covered under a high-deductible health plan (HDHP); you're not in Medicare, enrolled in another health plan or claimed as a dependent on someone else's tax return.

Q Are HSAs and HDHPs the same thing?

A No. An HSA is an account you put money into to pay for eligible health care expenses. A HDHP is a health insurance plan that allows you to open an HSA.

Q How does the HSA work?

A It's just like a bank account, but for eligible medical expenses. Here's how it works:

- Put money in your HSA through payroll deduction or direct deposit
- When you have an eligible expense, withdraw money from your HSA to pay for it. Or save your money for a future expense like pregnancy or braces
- Once you reach your HDHP deductible, your health plan coverage starts

Q Where can I open an HSA account?

A Many banks and credit unions offer HSAs. Your employer may have a preferred HSA option, otherwise you can choose any financial institution you want.

Q How soon can I open an HSA?

A As soon as your HDHP coverage is effective, if it starts on the first day of the month. If not, you can start your HSA on the first day of the following month.

HSA – Frequently Asked Questions Members

Q How do I contribute to my HSA?

A Here are a few ways you can contribute to your HSA:

- **Payroll deduction** – Many employers offer the option to deposit money to your HSA automatically from your paycheck
- **Direct deposit** – Write a check, transfer money from another account or deposit cash into your HSA
- **One-time transfer from your IRA** – Make a one-time, tax-free transfer from your IRA to your HSA. This transfer must be under the annual HSA contribution limit

You can contribute funds to your HSA account up until April 15 of the following year.

Also, some employers contribute to their employees' HSAs. Check with your employer to see if this option is available to you. Employer contributions are reported on the Form W-2 as nontaxable earnings.

Q Is there a limit to how much money I can put into my HSA?

A Yes. The annual limit is set by the IRS and is updated every year. Here are the annual limits for 2016:

- Individual: \$3,350
- Family: \$6,750

If you're 55 years or older, you can make an extra \$1,000 contribution.

Q Do I have to deposit the same amount every month in my HSA?

A No. You can deposit one lump sum or make smaller deposits throughout the year. However, your financial institution may require a minimum deposit or balance.

Q Is my HSA contribution limit smaller if I open my account in the middle or toward the end of the year?

A No. However, you can't be reimbursed for medical expenses that took place before you opened your HSA.

Q How do I know if I'm eligible for an HSA?

A To be eligible for an HSA, you must be enrolled in a HDHP. You can't be enrolled in any other health plans, including Medicare and general-purpose flexible spending accounts (FSAs) that aren't HDHPs. Dental and vision plans, along with accidental and disability insurance doesn't affect your eligibility.

HSA – Frequently Asked Questions Members

Q What are the tax benefits of an HSA?

A Here are a couple of the tax benefits of an HSA:

- You're not taxed on the money you put in your HSA (up to the annual limit). If you contribute to your HSA with after-tax money, you can deduct your contributions during tax time on Form 1040
- If you contribute through payroll deduction, the amount is taken from your pay before taxes are taken out, if your employer lets you. This may even help reduce your taxable income!

Q What are eligible medical expenses?

A Your HSA can be used to pay for a variety of health care expenses for you, your spouse and your dependents. Some expenses include, doctor visits, chiropractor fees, prescription medication copays, dental and vision care. For a list of eligible health care expenses, visit healthpartners.com.

Q How do I pay for expenses using my HSA?

A Many financial institutions provide you with claim forms, debit cards and checkbooks to pay for your eligible medical expenses using your HSA.

Q Does the money in my HSA earn interest?

A Yes. You can earn interest through your HSA and through investing your HSA money. Ask your financial institution what options are available to you.

Q How do I keep track of my HSA balance?

A At the end of each tax year you'll receive Form 5498 that lists all contributions and paid expenses for the year. Ask your financial institution for other options, like online access or monthly statements.

You can also keep track of your HSA balance with your *myHealthPartners* account.

Q What happens to the money in my HSA if I don't use it all in one year?

A The money in your HSA belongs to you. Any money left at the end of the year will carry over into the next year.

Q What happens to the money in the HSA if I leave my employer?

A It's your money, so you can take it with you.

HSA – Frequently Asked Questions Members

Q What if I change my health plan or insurance carrier?

A You can continue to contribute to your HSA as long as you're still covered by a HDHP. If you're no longer covered by a HDHP, you can use what money is left in your HSA for eligible medical expenses, but you won't be able to put more money in your HSA.

Q Can I use the money in my HSA to pay for health insurance premiums?

A There are some circumstances that allow you to use your HSA to pay for health insurance premiums. You can use your HSA to pay premiums for:

- COBRA continuation coverage
- Health coverage while receiving unemployment compensation
- Qualified long-term care
- Health insurance, not including Medicare, if you're 65 or older

Q Can I use money in my HSA for something other than an eligible medical expense?

A Yes, however any money used to pay for anything other than eligible medical expenses will be taxed and subject to a 20 percent penalty. Exceptions to the 20 percent penalty include expenses paid after the account owner turns 65, is disabled or dies.

Q What are my responsibilities as an HSA owner?

A As an HSA owner, you're responsible for:

- Making sure your contributions don't exceed the annual maximum
- Adding non-eligible expenses back to your gross income
- Keeping records of your expenses
- Completing Form 8889 at tax time
- Making sure you're not covered by any plans other than your HDHP
- Ensuring you're not being claimed as a dependent on someone else's taxes

Q Do I need to itemize my HSA deductions on my tax return?

A No. Just complete Form 8889 and attach it to your federal tax return.

Q Can my spouse and I both contribute to an HSA?

A Yes, as long as both people are covered by an HDHP.

HSA – Frequently Asked Questions Members

Q Do I need to keep track of expenses paid using my HSA?

A Yes. You should keep copies of your receipts for expenses paid with HSA money. Check with your tax advisor for more information.

Q Can I have an HSA and a limited-use health care FSA?

A Yes, but within limits set by the IRS. Because an FSA is considered a health plan, only limited-use FSAs may be used with an HSA.

Q If my employer offers an FSA with a grace period (2 months, 15 days) and I choose to enroll in an HDHP, are there any contribution limits to the HSA?

A Yes, if your FSA has a grace period. You can't put money into your HSA until it's over.

Q What's a deductible?

A A deductible is the amount you pay before your plan starts covering your medical expenses. For example, if your deductible is \$1,500, that's what you must pay before your coverage starts. HDHP's minimum deductibles are updated by the IRS each year. The minimum deductibles for 2016 are:

- Individual: \$1,300
- Family: \$2,600

Q What does a HDHP cover?

A Typical plans cover 80 to 100 percent of the cost of office visits, lab tests, eye exams, prescriptions and other common health care services after you've met your deductible. Preventive services are covered at 100 percent even when your deductible isn't met. Check with your employer for plan details.

HSA – Frequently Asked Questions Members

Q What does contract vs. embedded deductibles mean for an HDHP?

A If an employee has a HDHP with a family deductible, it's set up one of two ways:

1. **Embedded deductible** – this means there are two kinds of deductibles:

- One for the family as a whole
- One for each individual member of the family

If a member of the family reaches his or her individual deductible, benefit coverage starts for that person. In order for other family members to get benefit coverage, they'll need to either:

- Reach their own individual deductible, or
- The family reaches the family deductible by any combination of family members

For example, you have a \$2,600 family deductible with a \$1,300 member deductible. Once you reach your \$1,300 deductible you get coverage, even if other family members don't. Once the family deductible has been met, all family members get benefit coverage.

2. **Contract deductible** – any family member can meet the deductible to start their family's benefit coverage. For example, a family has a \$2,600 deductible. This means they need to reach \$2,600 as a family to start their benefit coverage. One or more family members could meet the family deductible, it doesn't matter.

Q Can I still open an HSA if my spouse has an FSA through work?

A You can open an HSA only if your spouse's FSA is a:

- Limited-use FSA
- Post-deductible FSA
- Employee-only FSA

Q HealthPartners mentions Wells Fargo a lot. Does that mean I have to open my HSA at Wells Fargo?

A No. HealthPartners has a preferred arrangement with Wells Fargo for our HSAs, but you can open your HSA anywhere you choose.

Q How does the Wells Fargo HSA work?

A You can get an HSA debit card from Wells Fargo. You can use it to pay eligible health care bills not covered by your HDHP. If there's money left over, you can check with Wells Fargo about investment options.

Plus, you'll get a discount on the administrative bank fee when you get an HSA at Wells Fargo.



HSA – Frequently Asked Questions Members

Q What if my Wells Fargo HSA debit card is stolen?

A You'll need to let Wells Fargo know your card was stolen. You don't have to worry about purchases you didn't make. Just fill out a dispute form and send it to Wells Fargo.

Q You mentioned that Wells Fargo charges an administrative fee, what's that for?

A The fee is \$3.75 per month and includes:

- HSA debit card
- Investment management – choose from several different funds to invest in
- Processing of manual claims for HSA reimbursement
- Online account management
- Customer Service phone line

There is no fee for accounts that maintain a balance of \$5,000 or more.

Q I want to open an HSA at Wells Fargo. What do I do?

A You can visit their website at wellsfargo.com/hsa for more information, or call **866-884-7374**.

Q How can I get more information on my HSA?

A When you enroll in the Empower HSA plan, you'll get a Summary Plan Description that explains the details of your HDHP. You can also call HealthPartners Member Services at **952-883-5000** or **800-883-2177**.

Still have questions about your HSA?

Call Member Services at **952-883-5000** or **1-800-883-2177**.

Note: This document has general HSA information. For information that is specific to your HSA plan offering, please refer to your employer's plan document.