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Health Savings Accounts — Frequently Asked Questions

Health savings accounts put your health care spending in your own hands. You decide when and how to use your health care dollars and you can save on taxes in the process. For more information on the EmpowerSM HSA Plan, please see the plan overview.

If you have questions about your HSA after you enroll, you may call Member Services at 952-883-7000 or toll-free at 1-800-883-2177. TTY users can call 952-883-5127 or 1-888-850-4762.

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.

Q What is an HSA?

A An HSA is a tax-exempt trust or custodial account that you set up exclusively for paying for eligible medical expenses. Funds roll over from year to year, can earn interest and accumulate for future health care needs.

To be eligible to open an HSA, you must be covered under a high-deductible health plan (HDHP), you cannot be enrolled in Medicare, cannot be enrolled in another health plan, and cannot be claimed as a dependent on someone else's tax return.

Q Are HSAs and HDHPs the same thing?

A No. The term "HSA" is used to describe the whole plan, but they are actually two parts. The HSA is the account in which you save money for eligible health care expenses, and the HDHP is the health insurance plan. Enrollment in the HDHP is what allows you to contribute to your HSA.

Q How does the HSA work?

A It's just like a bank account set up for a specific purpose.

- You save money in your HSA either through payroll deduction or direct contributions to the account.
- When you have an eligible expense, you can withdraw money from your HSA to pay for it (or, you may decide to save your HSA money for the future or for planned expenses, such as a pregnancy or braces).
- After your eligible expenses reach your HDHP deductible, your health plan coverage starts. This means that you will only have to pay part of the costs involved with your health care (known as coinsurance) and the plan pays for the rest.

Q What do I have to do to establish my HSA account?

A Many banks and credit unions offer HSAs, as do investment and brokerage firms. Your employer may have a preferred HSA option already established for you, or you can choose any financial institution you want.

Q How do I contribute to my HSA?

A Your employer may allow pre-tax or after-tax payroll deductions to your HSA. The financial institution at which you have your HSA can take checks or a variety of other deposit methods (e.g., online transfers, etc.). You can contribute funds directly into your HSA account up until April 15 of the following year.

You may also make a one-time tax-free distribution from an IRA to your HSA. The distribution must be under the annual contribution limit for the year in which you make the distribution, and the amount from your IRA will count toward your annual HSA contributions.

Some employers may contribute to the HSAs of their employees. Check with your employer to see if employer contributions are available to you. Employer contributions are reported on the Form W-2 as non-taxable earnings.

Q How soon can I open my HSA?

A Your HSA can be established after the effective date of your HDHP coverage. If your HDHP coverage begins on any day other than the first day of the month, you can establish your HSA on the first day of the following month.

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

A Yes. Every year, the IRS sets new contribution limits for HSAs. Here are the limits for 2009:

Coverage	**Maximum annual contribution**
Individual	$3,000
Family	$5,950

People age 55 and older who are eligible for HSAs can contribute an extra $1,000 in 2009. You can contribute the whole catch-up amount for the year in which you turn 55 as long as you have HDHP coverage through the entire year.

Q Do my HSA contributions have to be made in equal amounts each month?

A No, you can contribute in a lump sum or in any amounts or frequency you wish. However, your financial institution may impose minimum deposit and balance requirements.

Q Does my contribution depend on when I establish my HSA account or when my HDHP coverage begins?

A You must be covered by an HDHP before you can open an HSA. The amount you can contribute is not determined by the date you establish your HSA; however, medical expenses incurred before the date your HSA is established cannot be reimbursed from the account.

Q What types of insurance and other coverage can I have and still be eligible for an HSA?

A To be eligible for an HSA, you must be enrolled in a high-deductible health plan. Federal law prohibits you from being enrolled in other health plans, including Medicare and general-purpose flexible spending accounts (FSAs) that are not high-deductible health plans.

Other types of coverage that do not negatively affect your eligibility for an HSA include:

- Accidental insurance
- Disability insurance
- Dental care plans
- Vision care plans
- Long-term care insurance
- Insurance for a specific illness or disease
- Workers' compensation
- Insurance that pays a fixed amount for hospitalization

Q What is a deductible?

A A deductible is the amount you pay before your insurance coverage kicks in. For example, if your health plan's deductible is $1,500, you pay all expenses up to $1,500 before your health plan coverage starts.

The IRS regulates minimum deductibles for HDHPs, and adjusts them annually. For 2009, the minimum deductibles are:

Coverage	Minimum deductible
Individual	$1,150
Family	$2,300

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Q What does the high-deductible health plan cover?

A Typical plans cover everything from office visits, laboratory tests, eye exams, prescriptions and other common health care services. You pay for your costs under the deductible (with tax-free money from your HSA, if you want), and after you reach the deductible, the health plan coverage kicks in.

Once the plan coverage starts, services are commonly covered at 80 percent or 100 percent. Preventive services may be covered at 100% and are not subject to the deductible. Your plan will also have an out-of-pocket maximum, which is the most you would have to pay in a plan year. Check with your employer for all plan details.

Q How do contract vs. embedded deductibles work in an HDHP?

A HealthPartners offers both non-embedded (contract) and embedded (traditional) deductibles for family coverage. An embedded deductible is an individual deductible level within a family contract. For example, a family deductible is $3,000, but when any one individual in a family reaches $1,500 (that individual's deductible level), their benefit plan coverage takes effect. A non-embedded deductible requires that any one or any combination of family members reach $3,000 before the benefit plan coverage takes effect. Check with your employer to determine which deductible option you have with your plan. HSA-qualified HDHPs only allow embedded individual deductibles that meet the family minimum deductible ($2,300 for 2009).

Q What are the tax benefits of an HSA?

A The amount of money you save in your HSA each year is not taxed (up to the annual IRS contribution limit). If your employer allows payroll deduction for your HSA, the deduction is taken from your pay before taxes are withheld. If you contribute to your HSA with after-tax money, you can deduct your contributions when you complete your Form 1040 (be sure to complete Form 8889 to designate your HSA contributions).

Q What are eligible medical expenses?

A Your HSA can be used to pay for a variety of health care expenses incurred by you, your spouse and your dependents. Doctor visits, chiropractor fees, prescription drug copayments, dental care and vision care not otherwise covered by a health plan are all eligible health care expenses. Eligible health care expenses are outlined in IRS Publication 502.

For a list of eligible health care expenses, visit your personal page on **healthpartners.com** to view the Eligible Expense Table.

Q Will I be billed by my provider?
A Yes. Office visits and most diagnostic and laboratory tests are eligible medical expenses, so you can use money from your HSA to pay your provider's bill.

Q How am I reimbursed from my HSA?
A The financial institution at which you open your HSA can provide the reimbursement options available to you. Commonly, financial institutions allow claim forms, debit cards, and even checkbooks for HSA access.

Q Does the money in my HSA earn interest?
A Health savings accounts can earn interest and the money you save in an HSA can even be invested in money market funds, bond funds and even stock mutual funds — just like a 401(k) plan. Check with your financial institution for options available to you.

Q How do I keep track of my HSA balance?
A Your financial institution will send Form 5498 to you after each tax year. This form includes all contributions and distributions for the year. Check with your financial institution for other tracking options, such as online access or monthly statements.

Q What happens to the money in the HSA if I don't use it all in one year?
A The money in your HSA belongs to you, so if you have a balance in your HSA at the end of the year, it simply carries over to the next year.

Q What happens to the money in the HSA if I leave my employer?
A Your HSA is completely portable since it belongs to you, not your employer.

Q Can I change my health plan or insurance carrier?
A Yes. You may continue to contribute to your HSA as long as you are covered by an HDHP. If you are no longer covered by an HDHP, you can still access your HSA funds, but cannot contribute more money to the HSA.

Q Can I use the money in my HSA to pay for medical insurance premiums?
A Generally no, unless it is for COBRA continuation coverage, health coverage while receiving unemployment compensation, qualified long-term care insurance premiums, or health insurance (other than Medicare supplemental insurance) after you reach age 65.

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

A Any HSA distribution that is not used exclusively to pay for eligible medical expenses is subject to regular taxes and an additional 10% penalty. Exceptions to the 10% penalty are for distributions made after the account owner's death, disability, or attaining age 65.

Q What are my obligations with an HSA?

A The account holder (that is, you) are responsible for funding and maintaining your HSA in accordance with HSA regulations. This means that you need to ensure that contributions do not exceed the annual maximum, and that distributions for non-eligible expenses are added back to your gross income.

Also,

- Keep records of your expenditures
- Complete Form 8889 when you do your annual taxes
- Ensure you do not have any other medical coverage (other than the HDHP) including access to a general purpose health care FSA through a spouse.
- Ensure you cannot be claimed as a dependent on someone else's taxes

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

A No, you do not need to itemize your deductions on your federal income taxes to deduct your contributions to an HSA. Complete Form 8889 and attach it to your federal tax return.

Q Can both spouses in a family contribute to an HSA?

A Yes. Married couples who are both enrolled in a high-deductible health plan can contribute up to the statutory maximum for family coverage.

Q HSA contributions are federally tax deductible, but what about state taxes?

A Most, but not all states have passed legislation to allow state tax deductions for HSA contributions. Minnesota state tax deduction for HSAs was enacted retroactive to 1/1/04. HSAs contributions are not currently deductible for state taxes in Wisconsin, California, Alabama and New Jersey.

Q What disclosure is required for tax purposes?

A You should consult your tax advisor regarding your disclosure obligations. Receipts for expenses paid with HSA funds should be retained to prove to the IRS that:

- Eligible medical expenses were incurred;
- Expenses were not reimbursed from another source; and
- Expenses were not deducted from income taxes.

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

A Yes, but only within limits set forth by the IRS. Generally, to be eligible to contribute to an HSA an individual cannot be covered by another health plan that is not an HDHP. Because an FSA is considered a health plan, only limited-use FSAs may be combined with an HSA. A limited-use FSA allows for reimbursement of dental, vision and preventive care services. These are permitted coverages allowed outside of the minimum deductible requirement on the HSA qualified HDHP.

Q My spouse has an FSA through work. Can I still have an HSA?

A You cannot have an HSA if your spouse's FSA can pay for any of your medical expenses before your HDHP deductible is met. In order for you to be eligible for an HSA, your spouse's FSA would need to be a limited-use FSA, a post-deductible FSA or an employee-only FSA.

Q If my employer offers an FSA with the grace period (2½ months) and I choose to enroll in an HDHP, are there any contribution limits to the HSA?

A Yes, if you are enrolled in the FSA and have a grace period you will not be eligible to contribute to the HSA unless:

1. there is no money left in the FSA during the grace period, **or**
2. you make a rollover from the FSA to the HSA if allowed through your employer.

Q HealthPartners is marketing their HSA-qualified high-deductible health plans with Wells Fargo Bank. Is Wells Fargo my only HSA financial institution option?

A No. While HealthPartners has a preferred arrangement with Wells Fargo to offer our high-deductible health plans with the Wells Fargo HSA, you are free to establish your HSA with any financial institution.

Q How does the Wells Fargo HSA work?

A Wells Fargo offers a debit card to access the HSA. The debit card can be used to pay for eligible medical expenses not covered by the HDHP. Unused funds may be invested in a variety of investment funds offered through Wells Fargo, similar to a 401(k). Wells Fargo has a toll-free customer service line and Web site for HealthPartners members. HSA enrollment kits are available through the Web site. HealthPartners members receive a discounted administrative fee on the Wells Fargo HSA.

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Q What if my Wells Fargo HSA Visa card is stolen and someone buys unqualified medical expenses with it?

A It is handled the same as any other credit card that would be lost/stolen. You would have to report it and then file a dispute form for any unauthorized purchases. You would not be held responsible for purchases that were proven fraudulent.

Q What does Wells Fargo charge for the HSA?

A The HSA administration fee is $3.75 per month. This fee includes:

- HSA debit cards (two per family)
- Investment management – six funds from which to choose
- Processing of manual claims for HSA reimbursement when needed
- Online account management
- Customer Service phone line

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

Q How do I contact Wells Fargo?

A Their Web site, (https://healthbenefits.wellsfargo.com) provides information on the plan and the various forms needed to establish the HSA. You may also call Wells Fargo toll-free at 1-866-608-2074.

Q How can I get more information on my HSA?

A When you enroll in the Empower HSA plan, you will receive a Summary Plan Description that explains the details of your HDHP. You can also call HealthPartners Member Services with any questions you may have (952-883-5000 or toll-free at 1-800-883-2177).