Health Savings Account (HSA) Facts

- Individuals must be covered by a High Deductible Health Plan (HDHP) to be eligible to make HSA contributions.
  - The IRS defines a HDHP as a plan with no first dollar coverage, except for Preventive Benefits, until the deductible is met.

- Secondary coverage can disqualify an individual from contributing into an HSA.
  - Examples: Medicare, Tri-Care, Individual Coverage, Flexible Spending Arrangements or another group plan.

- A Health Savings Account is an account that is owned by the individual. Money in the account belongs to the individual whether they contributed the money themselves or their employer contributed it for them.

- Contributions are tax-free (State, Federal and FICA). They can be used tax free as long as the distributions are used for qualified medical expenses. Can be used on qualified medical expenses for the individual covered by the HDHP and the spouse and children of the individual (even if the spouse and children are not covered by the HDHP). *HSA dollars can only be spent on dependents you can claim on your tax-return!*

- No use-it-or-lose-it! Funds roll over from year to year.

- If you currently participate in your Flex Plan's Medical Spending Account, you will not be eligible to contribute to an HSA until the anniversary of the Flex Plan, your MSA must also have a zero dollar balance at this time. If you do not have a zero dollar balance at the anniversary of your Flex Plan, you must wait until the Grace Period expires. **<u>If you participate in your Flex Plan Medical Spending Account, make sure to have a zero dollar balance by renewal if you would like to begin contributing to an HSA!</u>**

- The maximum amount that can be contributed to an HSA from all sources is:
  - $3,050 for self-only coverage in 2011 and $3,100 in 2012
  - $6,150 for family coverage in 2011 and $6,250 in 2012
  - These amounts are indexed annually
  - Individuals ages 55 and older can contribute an additional $1,000 catch-up

- HSA distributions can be used to reimburse prior years' expenses as long as they were incurred on or after the date the HSA was established.
  - If distribution is not used for qualified medical expenses:
    - Amount of distribution is included in income
      <u>and</u>
    - 20% additional penalty except when taken after:
      - Individual dies or becomes disabled
      - Individual is age 65

- KEEP YOUR RECEIPTS! HSA's are self-administered. Individuals must keep records sufficient to prove that the expenses were incurred.

- Treatment of HSAs upon death: If the spouse is the beneficiary, the spouse inheriting the HSA is treated as the owner. To the extent the spouse is not the beneficiary, the account will no longer be treated as an HSA upon death of the individual. The account will become taxable to the decedent in the decedent's final tax return if the estate is the beneficiary; otherwise, it will be taxable to the recipient.