Health Savings Account (HSA) Basics

Eligibility

You are eligible to contribute to an HSA if you meet **ALL** of these criteria:

1. You are covered by an HSA qualified high-deductible health plan (HDHP).
2. You are not a dependent. If you are claimed on someone else's tax return, you cannot set up an HSA.
3. You are not covered by another health insurance plan, including but not limited to: Tricare, Medicare, spouse's plan*, etc.
   *The only exception is if your other health insurance plan is also a HDHP that is HSA eligible.
4. You are not covered by a Flexible Spending Account (FSA), including a spouse's FSA, **unless** it is limited to cover only vision, dental and preventative services.
5. You are not covered by a Health Reimbursement Arrangement (HRA), including a spouse's HRA, **unless** it is limited to cover only vision, dental and preventative services OR considered a post-deductible or suspended HRA. If your medical expenses can be reimbursed under the HRA, you are not eligible for an HSA.

Being eligible to contribute to an HSA is determined by the status of the HSA account holder, **not** the dependents of the account holder. If you meet **ALL** of the eligibility requirements above, you can contribute to an HSA, regardless of the health insurance coverage for your dependents.

Contributions

- Contributions can be made up to the annual IRS limits, which is subject to change from year to year. Your contribution limit is based on the coverage level of your health plan election. If you have single coverage, you can contribute up to the single limit. If you have family coverage, you can contribute up to the family limit.
- If you have individual coverage under a qualified HDHP and your spouse also has individual coverage under a qualified HDHP, you can both separately contribute up to the IRS annual individual limit.
- However, if you and/or your spouse have family coverage, even if one of you also has individual coverage, your **TOTAL** combined contributions cannot exceed the annual IRS family contribution limit.
- If you are only enrolled in an HSA qualified HDHP for a partial year, the maximum HSA contribution you can make for that year must be proportionate to the number of months you were eligible for the HSA. You cannot contribute the full annual IRS limit if you are not HSA eligible for the full year.

Please remember that only claims incurred on or after the date that your HSA was established are eligible to be reimbursed, so it's best to establish your account as quickly as possible once you are HSA eligible. Your account is considered established as soon as you put money into it.

Distributions/Reimbursements

- Distributions for eligible medical expenses incurred by you or your eligible dependents can be made tax free. The IRS defines an eligible dependent as someone who is claimed as your tax dependent.
- Please remember non-eligible distributions are subject to income tax AND penalties.
- An eligible medical expense is defined under Section 213(d) of the IRS code. Some examples include; medical, dental and vision co-pays and deductibles, eye glasses, LASIK and contact lenses.
- Additionally, some premiums can be paid from your HSA. Qualified premiums include:
    - COBRA health insurance
    - Insurance premiums after you reach age 65, including Medicare Parts A-D, but excluding Medicare supplement plans
    - Qualified long-term care insurance
    - Premiums for employer-sponsored retiree medical plans for account holders age 65 or older

HSAs and Medicare

If you have an HSA at the time you enroll in Medicare, there are a few things you should know:

- Contributions to an existing HSA must be prorated for the year you enroll in Medicare. Once enrolled, future contributions are not allowed.
- If you plan to enroll in Medicare coverage part way through the year, your HSA contributions must be pro-rated based on the number of months you were eligible for the HSA. For example, if you enroll in Medicare in July, you can contribute up to half of IRS annual contribution limit for the months you were HSA eligible (January – June).
- Under Medicare, you can continue to spend and invest the money in your HSA account.
- If your spouse is **not** enrolled in Medicare and has an HSA, he/she can contribute up to the annual family maximum to an HSA if electing family coverage under a qualified HDHP.

Please Note: *Medicare Part A includes a provision that if you delay applying for coverage when initially eligible your coverage will begin up to six months prior to your application date, but not before the first month you were eligible. As Medicare coverage makes you ineligible to make HSA contributions, you will need to take this provision into account when deciding when to stop funding your HSA to avoid tax penalties.*

CBIZ Benefits & Insurance Services

The information contained in this document is only a summary. For more information or questions specific to your situation, consult your HSA administrator or tax consultant. Online resources are available via irs.gov, medicare.gov or aarp.gov.