

# **Health Savings Account (HSA)- 2015**

## **Frequently Asked Questions**

### **What is a Health Savings Account?**

An HSA is a bank account with money used to pay health care costs. Participants enroll in a relatively inexpensive high deductible insurance plan. Then, a tax-deductible savings account is opened to cover current and future medical expenses. The money deposited, as well as the earnings, is tax-deferred.

Once funds are deposited into the HSA, the account can be used to pay for qualified medical expenses tax-free, even if you no longer have HDHP coverage or you leave County employment. The funds in your account roll over automatically each year and remain indefinitely until used. There is no time limit on using the funds.

### **Why a High Deductible Plan?**

To get the benefits of an HSA, the law requires that the savings account be combined with a High Deductible Health Plan. High Deductible Health Insurance costs less than traditional low deductible or EPO/HMO coverage, because the insurance company does not have to process and pay claims for routine, low-dollar medical care.

### **How does a Health Savings Account Work?**

You obtain coverage under a qualified high deductible health insurance plan. You are then allowed to deposit voluntary and/or employer contributions up to the IRS limits of \$3,350 for singles or \$6,650 for families into your Health Savings Account for 2015. For calendar year 2015, the County is contributing funds based on coverage level for qualified individuals, \$1,200 for single employees and \$2,000 for Employee +1 and Family coverage. Half of the deductible will be deposited into your account on January 2, 2015, the remaining half will be deposited on a semi-monthly basis beginning July 8, 2015. Employees can also add voluntary contributions to their HSA in addition to the County contributions, however the combination of employee and County contributions cannot exceed the IRS limits.

You can use the savings account to pay for your lower-dollar medical expenses, or those that are not covered by the health plan. Once you meet the deductible, the health insurance covers your medical expenses as defined in the policy.

### **What if you meet your deductible before the HSA account is fully funded by the County?**

Most medical providers will allow you to make payments for services that may exceed your available funds. If you are required to pay for any qualifying expenses with personal funds outside of your HSA, you can withdraw available funds from your HSA to reimburse yourself as those funds become available. There is no time limit for when you can reimburse yourself for your health care expenses. You should keep legible receipts of your medical expenses, and records of when you do reimburse yourself.

### **When you are paying for your medical expenses from your HSA account, how does your insurance company know when you have paid up to your deductible?**

If you use an in-network provider, they can file your claim for you. This is the smart way to work things, as it will ensure that you receive the company's discounted price, instead of having to pay the full price.

**With a high-deductible health plan, before I meet my deductible, will I have to pay full price for doctor visits, or will I receive a discount?**

Visits to a doctor in your network will be re-priced according to the discount negotiated by the qualified high deductible plan, before you are billed. This can mean substantial discounts in what you pay for your health care, even before you meet your deductible.

**With a high-deductible health plan, before I meet my deductible, will I be able to purchase prescriptions anywhere, or must I use a participating pharmacy?**

On Anthem Blue Cross and SCPH's deductible plans, you may purchase your prescriptions anywhere you like including online, and it will go towards your deductible. However, you may have to file a claim with the prescription vendor in order to have the expense applied to your deductible.

**Other than the County's contribution, how can I make voluntary contributions to the HSA?**

You may sign up at Open Enrollment for a semi-monthly payroll contribution. If you need to change or stop your semi-monthly contribution, you may do so by completing a change form and e-mailing it to County Benefits. You may also deposit contributions directly to the HSA bank account at any time throughout the year or all at once at the beginning of the year by going into a Wells Fargo bank.

You may fund your HSA with a one-time rollover from your IRA. If you can afford to fully fund your HSA without using a rollover from your IRA, you will get a full tax-deduction for your HSA contribution. However, if you do not have enough money available to fully fund your account, moving money from your IRA to your HSA is a smart move. It will protect this money from ever being taxed if it is used to pay qualified medical expenses.

**Can I as the employee be enrolled with another medical insurance plan and also be enrolled on the County's High Deductible Plan with the HSA account?**

No. Employees that have other coverage are not eligible for the HDHP with HSA.

**Can my spouse be enrolled with another medical insurance plan and also be enrolled on my County High Deductible Plan with the HSA account?**

Yes, but only if the spouse has outside coverage and is not a County employee. The County will not allow dual coverage for two married County employees.

**Can my children be enrolled with another medical insurance plan and also be enrolled in the County's High Deductible Plan with the HSA account?**

Yes. Due to Health Care Reform, children up to age 26 may be enrolled on any of the County's medical, dental and vision plans. However, children must be considered an IRS dependent to qualify for the Health Savings Account funds.

## **For what purpose can HSA funds be used?**

The funds belong to you. If funds are withdrawn for reasons other than to pay for qualified medical expenses by someone under age 65, the amount withdrawn is taxable and subject to a 20% penalty by the IRS. After age 65, there is no penalty for non-qualified withdrawals but amounts are taxable.

Funds used to pay for the following are tax-free and penalty-free:

- ◆ Qualified medical expenses as defined under Section 213 of the IRS Code (See [IRS Publication 502: Medical and Dental Expenses](#)).
- ◆ COBRA insurance, qualified long-term care expenses and Health insurance premiums for individuals receiving unemployment compensation.
- ◆ Medicare and retiree health insurance premiums, but not Medicare Supplement premiums.

Funds may be used for eligible expenses for your spouse or dependents, even if they are not covered by the HDHP. But keep in mind, those expenses will not go towards your annual deductible or out-of-pocket maximum.

It is your responsibility to keep track of your own qualified-medical expenses. Individual contributions and taxable distributions should be reported on form 1040.

**Important: In order for dependents to be eligible to use HSA funds they must qualify as an IRS dependent based on the guidelines. For IRS dependent eligibility, refer to page 12 of the IRS pub.501 located on the Employee Benefits website under Forms or [www.IRS.gov](http://www.IRS.gov).**

## **What happens at age 65?**

When you turn 65 you become eligible for Medicare. If you enroll in Medicare Part A or Part B, you are no longer eligible for coverage under a high-deductible health plan. You may still use tax-free HSA funds to pay for qualified medical expenses, Medicare Part D premiums, and retiree health insurance premiums. You are also entitled to take out any amount from your account for any reason, penalty free (though you must pay income taxes on the withdrawals at that time). There are no requirements laid out in the law at the present time indicating when you must start taking distributions.

## **What happens to my HSA if I die?**

Your HSA will be treated as your surviving spouse's HSA, but only if your spouse is the named beneficiary. If there is no surviving spouse or your spouse is not the beneficiary, then the savings account will cease to be an HSA and will be included in the federal gross income of your estate or named beneficiary.

## **What are the guidelines around rolling over an IRA into an HSA?**

- The IRA transfer is a one time event.
- The transfer amount applies to the HSA annual contribution.
- The IRA transfer must be directly from the IRA to the HSA.

## **What happens to employees with chronic or catastrophic illnesses or a major accident?**

- The Traditional health coverage portion of the plan, which works a lot like current plans, will begin once the deductible has been satisfied.
- The Out-of-Pocket Maximum provides a “safety umbrella” from the costs associated with chronic or catastrophic illnesses.

## **What is the most I will ever pay in a calendar year if I’m enrolled in the HDHP program?**

Your HDHPs include an annual Out-of-Pocket Maximum. Money you spend from your HSA, out-of-pocket expenses, and any coinsurance you pay all count toward this annual limit. HSA expenses outside of your medical plan (dental, eye glasses, etc.) do not count toward your annual medical plan deductible or maximum medical out-of-pocket expenses.

Out-of-Pocket Maximums

\$3,000 Individual

\$6,000 Family

## **What happens if I am enrolled in a HDHP HSA and I leave County employment?**

You may choose to continue your HDHP coverage by enrolling in COBRA. You will keep what is currently in your Health Savings Account and may use those funds to even pay your COBRA premiums, however you will not receive any future employer contributions.

As long as you remain enrolled in the HDHP via COBRA, you may continue to voluntarily contribute to your HSA. If you choose not to enroll in COBRA, you will no longer be able to contribute to your HSA, however the funds belong to you.

## **I have a Domestic Partner on my HDHP. Can I use the money in my HSA for my domestic partner's medical expenses?**

Domestic partners are eligible for the HDHP however, the law states that money in an HSA can only be used for yourself, your spouse and your tax dependents. If your domestic partner meets the IRS qualifications to be considered a tax dependent under Code section 152, you can legally use your HSA funds for his/her medical expenses. If they do not meet this qualification, you can not. You should seek advice from a qualified tax consultant.