



UNDERSTANDING HEALTH SAVINGS ACCOUNTS

YOUR GUIDE TO
SMARTER HEALTH
AND FINANCIAL
CHOICES

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Health Savings Accounts, in combination with an HSA-qualified High Deductible Health Plan, offer a straightforward way to manage both your health care and your budget.

HSAs allow you to decide how you spend your healthcare dollars.

Discover the benefits of choosing an HSA: reduced health insurance premiums, tax-deductible medical expenses, and significant annual tax savings.

WHAT IS AN HSA?



An HSA is a tax-favored bank account that functions similarly to an individual retirement account, but its contributions are designated for healthcare costs.

To open an HSA, individuals must first enroll in an HSA-qualified high-deductible health insurance plan. Contributions to the HSA are tax-deductible, and the savings in your account can be used for current or future medical expenses.

You can withdraw money from the account to pay your deductible, copays, coinsurance, or any medical expenses that your insurance will not cover. Unused funds, and the interest earned, are yours to keep.

HSA: PUTTING YOU IN CHARGE



The core idea behind HSAs is to empower you to make informed choices about your healthcare spending.

When you start shopping around for the best deals, you encourage providers to offer competitive rates to attract patients like you. This approach not only helps save you money but also fosters a marketplace where prices better reflect the value of care provided.

The Flexibility and Benefits of HSAs:

- **Lower insurance premiums:** By pairing an HSA with a healthshare plan, you're likely to see a decrease in your monthly premiums. This immediate savings is a direct benefit of choosing a plan that encourages smart spending on healthcare.
- **Tax deductions on medical expenses:** One of the significant advantages is the ability to make tax-deductible contributions to your account. This means that each year you can deduct up to \$4,150 for singles or \$8,300 for families directly from your taxable income, with an additional \$1,000 catch-up contribution allowed for those over 55.
- **Healthcare cost management:** HSAs give you the flexibility to use your funds for an unlimited range of medical expenses, including treatments and preventive care options that might not be covered under your health plan. This includes anything from alternative treatments to prescription drugs, over-the-counter medications, or covering your deductible.
- **Proactive health management:** With an HSA, you have a financial incentive to invest in preventive care, which can lead to better health outcomes and potentially lower your healthcare costs in the long run. Plus, the money in your HSA rolls over year after year, so you can save for future health expenses.

LET'S SEE WHAT A FAMILY COULD SAVE WITH AN HSA PLAN



	Typical Non-HSA Plan <i>\$7500 Deductible: 80% / 20% Coinsurance</i>	HSA Plan melded with a Health Sharing Program*, \$1000 IUA (initial unshared amount)
Annual Premium	- \$16,812	- \$7,860
Insured's Share of Medical Costs (\$2,000 claim)	- \$2,000 (full amount)	- \$1000 (rest paid by healthshare)
Non-covered expenses:	- \$550	- \$550 (dental and eye wear expenses)
Expenses Subtotal	= - \$19,362	= - \$9,410
Federal Tax Savings*	+ \$0	+ \$1,752
State Tax Savings*	+ \$0	+ \$365
Net Expenses (out-of-pocket minus savings)	- \$19,362	- \$7,322
Total (Net Savings with HSA Plan)		= +\$12,040 in Savings!

NAVIGATING COSTS AND QUALIFICATIONS FOR HSA-QUALIFIED HEALTH INSURANCE



It's important to understand the financial aspects and eligibility requirements for HSA-qualified health insurance plans when making decisions.

Here's a breakdown of costs, qualifications, and the process for setting up an HSA.

How Much Does HSA-Qualified Health Insurance Cost?



HSA-qualified plans typically feature high deductibles, leading to lower premiums compared to traditional health insurance plans.

The cost of these plans varies based on several factors, including age, location and the specific details of the plan chosen, such as deductible amounts and PPO network options.

For self-employed individuals, an alternative to an HSA-qualified health insurance plan is to combine a low-cost Minimum Essential Coverage (MEC) insurance plan with a membership in a non-insurance health sharing plan. This combination can be compatible with an HSA, offering some tremendous cost-saving opportunities.

Eligibility with Pre-existing Conditions

ACA-qualified plans come with guaranteed acceptance, preventing insurance companies from denying coverage or charging higher premiums due to health issues.

Establishing Your HSA

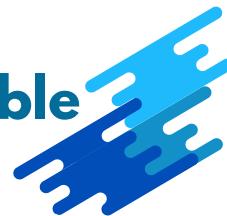
To set up a health savings account, you first need to be enrolled in an HSA-qualified high-deductible health plan.



Begin by reviewing comprehensive information about HSA insurance plans and getting familiar with HSAs through relevant Q&A sections. For plan enrollment, you can obtain an instant quote on our site or reach out to us for assistance.

Your HSA does not need to be established with your health insurance company, allowing freedom to choose the trustee or custodian that offers the best terms for your needs.

What is a High-Deductible Health Plan?



High deductible health plans, or HDHP, are health insurance products that allow the policy-holder to establish and fund a health savings account.

The premiums tend to be lower than standard plans, and the tax savings can be significant.

What Qualifies as a High-Deductible Health Plan?

The plan must meet the deductible and other design requirements that are adjusted each year, and the health insurance company must agree to report the list of qualifying policyholders to the IRS.

The Department of Treasury will review and qualify health plans at the request of the sponsoring organization.

A qualifying HDHP must meet certain deductible thresholds: a minimum deductible of \$1,600 for individual coverage and \$3,200 for family coverage. Additionally, in 2024 the maximum out-of-pocket expenses are initially capped at \$8,050 for individuals and \$16,100 for families.

Network Benefits of Qualifying Plans

Most qualifying HDHPs are structured as PPO or HMO plans, offering network benefits that can significantly reduce healthcare costs.

This includes pre-negotiated pricing for doctor visits, allowing substantial savings even before the deductible is met.

Coverage Implications

You can only contribute to your HSA when you are enrolled in an HSA-qualified plan.

If you are also covered by a spouse's non-HSA plan, then you would no longer qualify to contribute to your HSA. However, you can still use the money in it to pay for qualified medical expenses, or you can let it continue to grow on a tax-deferred basis.

Navigating HSA Contributions



HSAs help you save money for medical expenses with tax advantages. Here's a breakdown of what you need to know about HSA contributions for the year 2024.

Contribution Limits

In 2024, the contribution limits are \$4,150 for individuals and \$8,300 for families. Those aged 55 and older have the opportunity to make an additional catch-up contribution of \$1,000 annually.

Understanding the CPI Adjustment

The IRS reviews and adjusts the HSA contribution limits annually, with changes effective each January 1st. This adjustment ensures that the contribution limits keep pace with the cost of living, making HSAs a viable option for long-term health savings.

Contribution Rules

- **Full-year coverage:** If you are covered by an HDHP for the entire year that you turn 55, you're entitled to contribute an additional \$1000 "catch-up" contribution, regardless of when in the year you turn 55.
- **Spousal contributions:** If both spouses are 55 or older and each has an HSA in their name, both can make the catch-up contribution. If only one spouse has an HSA, then only that spouse is eligible for the catch-up contribution.
- **Contributor flexibility:** Contributions to an HSA can be made by anyone on behalf of the account holder, offering flexibility in how accounts are funded.
- **Contribution deadline:** You have until April 15th of the following year to make contributions for the current tax year.



Eligibility for Contributions

To contribute to an HSA, you must:

- Be covered under a qualifying high-deductible health plan (HDHP).
- Not be enrolled in Medicare.
- Not be covered by any non-HDHP health insurance.
- Not be claimed as a dependent on someone else's tax return.

Impact of Other Health Coverage

Enrollment in Medicare, which typically begins at age 65, marks the end of eligibility for HSA contributions.

You lose eligibility to do so as of the first day of the month you turn 65. So if you turn 65 on June 21, you may not contribute to your HSA after June 1.

Administrative Fees and Contributions

Administrative and other associated fees do not count against the contribution limit and can either be paid out-of-pocket or from the HSA itself without tax penalties.

Tax Deduction Eligibility


HSA contributions are tax-deductible regardless of the source of income, with no phase-outs based on income levels, making them an attractive option for individuals across the financial spectrum.

IRA to HSA Rollovers

You have the unique opportunity to make a one-time rollover from your Individual Retirement Account (IRA) to your Health Savings Account (HSA).

This option is particularly useful if you don't have sufficient funds to fully contribute to your HSA directly. It's important to understand that this rollover is a once-in-a-lifetime opportunity, allowing you to transfer funds from your IRA to your HSA tax-free, provided these funds are used for qualified medical expenses.

If you can afford to contribute directly to your HSA without this rollover, you'll benefit from the full tax deduction on your HSA contributions



Spousal Health Coverage and Contributions

If your spouse has a non-qualifying plan, you become ineligible for HSA contributions. If your spouse has a separate HSA-qualified plan, your contribution limit will need to be adjusted based on their contributions.

Domestic Partners and Contributions

A domestic partner's health coverage generally doesn't limit your ability to contribute to your HSA, even if they're covered under your high-deductible health plan.

There isn't a rule that requires domestic partners to divide an HSA contribution in the same way that married individuals are required to. A domestic partner who is covered under an account owner's HDHP could open their own HSA and contribute the full amount of the deductible or the statutory maximum (whichever is less).

Neither the Treasury nor the IRS has indicated that there is any problem with an account owner covering a domestic partner under an HDHP and having the domestic partner's expenses count toward satisfying the family deductible under the HDHP, notwithstanding that these individuals are not related. However, most individual insurance plans will not cover domestic partners, so the two individuals would probably need to get individual policies.

Unlike a spouse, you may not take a tax-free distribution from your HSA to pay for your domestic partner's expenses, unless your domestic partner is considered to be a dependent under IRS Code Section 152.

MAXIMIZING YOUR HSA THROUGH SMART INVESTMENTS

Exploring investment options for your Health Savings Account (HSA) can significantly enhance its value, turning it into a powerful tool for long-term savings and tax-free growth.

Here's how to navigate HSA investments to maximize your account's potential.

Switching HSA Administrators

If you find more appealing investment options or lower fees with a different administrator, switching is generally straightforward.

Be mindful that some administrators may charge fees for opening or closing accounts, so it's wise to consider these potential costs when making a switch.

Broad Investment Opportunities

The IRS allows HSAs to be invested in a vast array of assets beyond traditional stocks and bonds.

Investments in real estate, private notes and mortgages, and limited partnerships are permitted, offering substantial flexibility in how you can grow your HSA funds.

However, it's important to note that investments in life insurance contracts, collectibles (like art, antiques, and certain metals), and tangible personal property are prohibited under Section 408(m) of the Tax Code.

Strategies for Maximizing Tax-Free Savings


To get the most out of your HSA, consider paying for medical expenses out-of-pocket when they arise and reimbursing yourself from the HSA later.

This approach allows your HSA funds to continue growing tax-free, potentially increasing the amount you have saved over time. Remember to keep detailed records of medical expenses for future reimbursement.

HSA DISTRIBUTIONS: WHAT YOU NEED TO KNOW



Health Savings Accounts offer a flexible approach to managing healthcare expenses, allowing for tax-free withdrawals for qualified medical expenses and more.



Understanding the rules governing HSA distributions is key to maximizing your account's potential while avoiding unnecessary taxes and penalties.

Using HSA Funds


Your HSA funds are yours to manage.

While you can withdraw funds for any reason, using them for non-qualified expenses before age 65 incurs a 10% penalty and makes the amount taxable. After 65, withdrawals for non-qualified expenses remain taxable but are penalty-free.

Tax-Free and Penalty-Free Uses

- Qualified medical expenses as outlined in Section 213 of the IRS Code, including COBRA insurance, qualified long-term care insurance, and health insurance premiums during unemployment.
- Qualified long-term care insurance and expenses
- Health insurance premiums if you are receiving unemployment compensation
- Medicare and retiree health insurance premiums (excluding Medicare supplement premiums).
- Expenses for your spouse or dependents, regardless of their HDHP coverage status.

Restrictions on HSA Distributions

- **Medical expenses incurred before HSA establishment:** You cannot reimburse expenses incurred before your HSA was established. It is suggested to promptly set up an account once you have qualifying health coverage.
 - **Paying health insurance premiums:** HSA funds can only be used for health insurance premiums under specific conditions, such as during federal or state unemployment or with COBRA coverage.
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Tax Reporting and Distributions

Each year, you'll receive forms 1099-SA and 1099-INT from your HSA administrator to report distributions and earnings.

Form 5498, detailing contributions, follows in May due to the April 15 contribution deadline for the prior tax year.

Managing Medical Expenses

There's no deadline for reimbursing yourself for qualified medical expenses, but keeping receipts is very important.

If an insurance reimbursement occurs after using HSA funds for a medical bill, the distribution can be corrected by repaying the HSA, thus avoiding penalties.

Changes at Age 65

Upon turning 65 and enrolling in Medicare, you can still use HSA funds tax-free for qualified expenses and Medicare Part D premiums, and retiree health insurance premiums.

Withdrawals for other purposes are taxed but not penalized, with no mandated distribution age currently set by the IRS.

HSA funds can be used for Medicare Parts A, B, Medicare Advantage, and Part D prescription drugs, as well as out-of-pocket expenses and employment-based retirement health benefit premiums.

In the Event of Death or Disability

- **Death:** If your spouse is the beneficiary, the HSA becomes theirs. Otherwise, the account ceases to be an HSA and becomes taxable income for the estate or beneficiary.
- **Disability:** Permanent disability allows you to take penalty-free withdrawals, subject to income tax.

If HDHP Coverage Ends

Your HSA remains active for qualified medical expenses tax-free, regardless of HDHP coverage status, with no expiration on using the funds.

HSAS: THE KEY TO MANAGING HEALTHCARE AND FINANCIAL WELLNESS



Health savings accounts give you a flexible, tax-advantaged way to manage your healthcare expenses.

By pairing high-deductible health insurance with the ability to save and invest for future medical costs, HSAs empower you to make informed decisions about your healthcare spending.

The benefits of HSAs, including tax deductions, tax-deferred growth, and tax-free withdrawals for qualified expenses, make them an essential tool for anyone looking to take control of their health and financial well-being.

You do not have to navigate this alone, book an appointment with one of our Personal Benefits Managers and let them guide you with what will work best for you.