

Frequently Asked Questions Relating to your Health Savings Account

1. What is a Health Savings Account (HSA) account? An HSA is like a bank account that is funded with tax deductible dollars that can be used to pay for qualified medical expenses. Remaining balances roll over in your account from year to year and earn interest tax-free.

2. How do qualified High-Deductible-Health-Plans and HSAs work together? To participate in an HSA, a person must be enrolled in a high deductible health plan (HDHP). HSAs enable an individual or family covered by an HDHP to deposit tax-deductible contributions into the HSA account, make tax-free deductions from the account to spend on IRS-defined qualified medical expenses, and realize tax-free growth of the funds invested over time.

3. Who can contribute to an HSA? Both the employer and employee may contribute to an HSA. The money in your health savings account is your own. This means your employer cannot tell you what to do with your own money or restrict what you can spend it on. Since it is your money it goes with you when you change jobs.

4. Is there a limit to the amount of HSA contributions? The maximum amount you can contribute in 2007 for family coverage is \$5,650. For individual coverage it is \$2,850. Beginning in 2007, the deductible contribution is not limited to the annual deductible under the HDHP. Prior to 2007, your annual deductible HSA deposit never exceeded your insurance plan's deductible unless you were 55 or older and making "catch up" contributions.

5. Who owns the HSA? The employee, as the account holder, owns the HSA. Contributions that your employer makes to your HSA are yours. There are no vesting requirements or forfeiture provisions. Funds in the HSA are portable and move with the employee if he or she changes jobs. If you have an HSA and use it every time you receive health care services, you will be required to properly reconcile the funds in this account in order to avoid unnecessary taxes and penalties.

6. Who is responsible for keeping records on the HSA? The account holder/employee is responsible for maintaining all the paperwork for eligibility and expenses. Additionally, the account holder is responsible for ensuring funds are used for qualified medical expenses or reporting other uses to the IRS.

7. In what instances can funds be accessed? Account holders may withdraw funds from their HSAs at any time and for any purpose, although taxes and penalties will apply if the funds are not used for qualified medical expenses.

8. Can I change investment funds or will I need to keep my money in the same fund until it is withdrawn? You can change your investment fund election at any time to the HSA by contacting your HSA Administrator.

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9. How can I reimburse myself for expenses I paid for outside of my HSA? As long as you incurred those expenses after you opened your HSA, you can get a reimbursement for any qualified expenses. You need only to follow the reimbursement procedures outlined by your HSA Administrator. You can only reimburse yourself out of your HSA account for the patient responsibility shown on your EOB. This will be your true cost for services rendered.

10. Is there a deadline for reimbursing myself for medical expenses I paid for outside my HSA? No. HSA funds can be used to reimburse the prior year's expenses as long as they were incurred on or after the date the HSA was established.

11. What tax forms will I receive regarding my HSA? You should receive a 1099-SA form from your HSA Administrator. This statement should indicate total distributions from your HSA for the previous calendar year.

12. What happens to unused funds in the HSA? Unused funds roll over from year to year and may earn interest tax-free. Employees may also continue to use funds after a HDHP plan coverage terminates and/or at retirement.

13. What is a "qualified medical expense?" Qualified medical expenses include the portion of the costs associated with services covered by a health plan that are not reimbursed by insurance because they are applied to the high deductible. Some examples of qualified expenses include office visits, emergency room visits, hospitalizations, prescription drug purchases, and many over the counter drugs, vision expenses including eye glasses and contact lenses. *Qualified medical expenses are defined by IRS Code 213(d) and are listed in IRS Publication 502.*

14. What happens if I accidentally use my HSA funds for a non-qualified expense? If funds in the account are not used for qualified medical expenses, you will need to claim the amount as income on your tax return. The amount will be subject to a penalty if you are under age 65. However, you can avoid taxes and potential penalties if the funds are repaid by April 15th of the year following the year in which you paid for the non qualified expense(s).

15. How do qualified HDHP deductibles and out-of-pocket maximums work? Qualified HDHP have a "shared family deductible," which means the entire family deductible must be met before any non-preventative benefits are paid. After the deductible is met, co-insurance will apply to covered benefits if the plan is set up that way (not all plans have co-insurance). The shared family deductible amount is included in the out-of-pocket maximum. Out of pocket maximums are also shared for all family members.

16. Do carryover deductible amounts apply? No qualified HDHP's do not include 4th quarter carryover provisions.

17. Can I participate in an HDHP/HSA and on another insurance plan as a dependent? You cannot be covered by any other health plan that reimburses you for health expenses you incur, unless it is another HSA qualified HDHP.