2023
FAQs about Health Savings Accounts (HSAs)

A Health Savings Account is a tax-advantaged account that helps you to save money on health care expenses. You must be enrolled in a high deductible healthcare plan to enroll in an HSA. The questions and answers provide more information about HSAs.

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FAQs about Health Savings Accounts (HSAs)

1. What is a health savings account (HSA)?

A health savings account is a healthcare bank account. The main purpose of this account is to offset the cost of a qualified high deductible health plan (HDHP) and provide savings for your out-of-pocket eligible healthcare expenses.

You own your HSA! It's yours to keep, even if you change jobs, change benefit plans or retire.

Once your HSA is established, money that is deposited in your account can be used tax-free to pay for eligible healthcare expenses. You save money on expenses you're already paying for, like doctor office visits, prescription drugs, and much more. Best of all, you decide how and when to use your HSA dollars.

2. Why is it a good idea to have an HSA?

By participating in a qualified HDHP, you will be responsible for most first-dollar medical expenses. An HSA benefits you by allowing you to offset those costs while saving money on taxes in three ways:

- Tax-free deposits – The money you contribute to your HSA isn't taxed (up to the annual IRS contribution limit)
- Tax-free earnings – Your interest and any investment earnings grow tax-free
- Tax-free withdrawals – The money used toward eligible healthcare expenses isn't taxed – now or in the future

By allocating pre-tax dollars to your HSA, you pay less in taxes. This allows you to save money on eligible expenses that you are paying for out of your pocket. The amount you save depends on your tax bracket. For example, if you are in the 30 percent tax bracket, you can save $30 on every $100 spent on eligible healthcare expenses.

HSA funds accumulate in your account just like with a personal savings account. There is no "use-it-or-lose-it" rule with an HSA, and you decide how and when to use your HSA funds -- for eligible expenses you have now, in the future, or during retirement. And when you reach a certain balance in your HSA, investment opportunities are available.

3. Who can establish an HSA?

IRS guidelines govern HSA eligibility, and not everyone can set up an HSA. Eligibility requirements for establishing an HSA are:

- You must have coverage under a qualified HDHP
- You can't participate in another health plan that's not a qualified HDHP, such as your spouse's plan or a general -purpose healthcare FSA
- You cannot be enrolled in Medicare
- You cannot be claimed as a dependent on someone else's tax return

4. What is a qualified high deductible health plan (HDHP)?

A qualified HDHP is a type of health plan that meets certain IRS requirements for minimum annual deductibles and maximum out-of-pocket expense limits. These IRS requirements are set on an annual basis.

5. What is the 2023 IRS HSA contribution limit?

The IRS contribution limit for 2023 is $3,850 for single coverage and $7,750 for family coverage (regardless of number of dependents covered on the medical plan).

The IRS allows for an additional $1,000 in annual contributions on both self-only and family coverage for account holders age 55 and over. These additional permissible contributions are known as "catch up contributions."

6. Will USD #116 contribute to my HSA?

USD #116 will contribute the following to our employee HSA's:
$100 per month; deposited on a monthly basis.

7. How do I make HSA contributions?

USD #116 makes deposits to employees' HSA's and encourages employees to make additional contributions through payroll deduction or direct deposit. You will have the option to elect a per pay period H.S.A. deduction, which can be changed on a monthly basis.

Please Note: *To continue to make HSA contributions, you must maintain the eligibility requirements. If you lose your eligibility, for example you change jobs and are no longer enrolled in an HSA compatible health plan, you can no longer add money to the account, but you can still use your HSA funds at any time.*

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8. **If my spouse and I have separate HSAs, can we each contribute to the IRS maximum?**
   The maximum a married couple can contribute to an HSA (or HSAs) is a combined total equaling the IRS annual HSA contribution limit for a family, which is $7,750 for 2023.

9. **What happens if I contribute more than the annual IRS limit?**
   Contributions made in excess of the annual IRS limit (known as "excess contributions") can be taxed.

10. **Can I pay for the medical expenses of my spouse and/or children with my HSA even if they're not covered under my HSA-qualified coverage?** Yes, the money in your HSA can be used to pay for any tax dependent family member's qualified medical expenses, even if they're not covered under your HSA-qualified plan.

11. **Does my HSA earn interest?**
    HSA's are interest-bearing accounts. See your bank's account details for more information.

12. **When can I use my HSA funds?**
    You can begin using your dollars as soon as funds are available in your account.

13. **What are eligible HSA expenses?**
    You can only use HSA dollars toward eligible expenses – those you pay for out of your pocket for health care-related goods and services for you, your spouse, and eligible tax dependents. IRS rules govern expense eligibility, and generally, these rules state that eligible expenses include items and services that are meant to diagnose, cure, mitigate, treat, or prevent illness or disease. Trans-portation that is primarily for medical care is also included. Here are some other examples:

    - Your health plan deductible (the amount you pay before your plan starts paying a share of your costs)
    - Your share of the cost for doctor office visits and pre-scription drugs
    - Your share of the cost for eligible dental care, including exams, X-rays, cleanings, and orthodontia
    - Your share of the cost for eligible vision care, including exams, eyeglasses, contact lenses, and laser eye surgery

Keep in mind that there's no double-dipping. Expenses reimbursed under your HSA cannot be reimbursed under any other plan or program.

Only your out-of-pocket healthcare expenses are eligible. Plus, expenses reimbursed under an HSA can't be deducted when you file your tax return.

14. **Are over-the-counter (OTC) medicines eligible expenses?**
    Yes, in 2020, the CARES Act expanded the list of ex-penses that are considered eligible by including OTC medications and drugs. This change is effective January 1, 2020. Eligible expenses still include insulin (including OTC insulin).

15. **What OTC items are eligible expenses?**
    Here are some of the many examples of OTC medi-cines:

    - Allergy and sinus: Allegra, Benadryl, Claritin, Sudafed, Zyrtec, Xyzal
    - Antacids: Mylanta, Pepcid AC, Prilosec, TUMS
    - Aspirin and pain relievers: Advil, Excedrin, Motrin, Tylenol
    - Cold and flu: Nyquil, Theraflu, Tylenol Cold & Flu
    - Diaper rash ointments: Balmex, Desitin
    - First aid creams, sprays, and ointments: Bactine, Neosporin
    - Sleep aids: Sominex, Tylenol PM, Unisom SleepTabs
    - Menstrual Products
    - Bandages, Band-Aids, gauze, and first aid kits
    - Batteries for hearing aids, blood glucose monitors, etc.
    - Diabetic supplies and test kits including insulin
    - High blood pressure monitors
    - Thermometers

16. **What expenses are not covered under an HSA?**
    Expenses that are not approved to be paid with HSA funds are called "ineligible expenses." Ineligible HSA expenses include:

    - Cosmetic surgery and procedures, including teeth whitening
    - Herbs, vitamins, and supplements used for general health
    - Insurance premiums
    - Family or marriage counseling
    - Personal use items such as toothpaste, shaving cream, and makeup
    - Prescription drugs imported from another country

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17. What happens if I use HSA funds to pay for an ineligible expense?
You will have to pay taxes on the ineligible expense, and if you are under age 65, you must pay a 20 percent penalty. At age 65 or older, you may use your HSA funds to pay for anything you want without being penalized. You only have to pay taxes on ineligible items purchased with HSA funds.

18. Can I use HSA funds toward medical expenses incurred before I established my HSA?
No, you may only use HSA dollars toward eligible expenses incurred after your HSA has been established. Once you have your HSA set up, you may reimburse yourself for out-of-pocket medical expenses at any time if funds are available in your account.

19. Can I delay enrollment in Medicare so that I can remain HSA-eligible?
Yes. Those who are actively employed over age 65 may enroll in Medicare Part A and Part B during the eight months following the month group health plan coverage ends or when their employment ends, whichever is first, and will avoid incurring a Medicare Part B late enrollment premium penalty. There is no penalty for delaying to en-roll in Medicare Part A.

20. Can I transfer funds from an Individual Retirement Account (IRA) to my HSA?
Individuals can make a one-time, tax-free trustee-to-trustee transfer from an IRA to an HSA. The individual must remain enrolled in an HSA-qualified plan and eligible for an HSA for at least the next 12 months following the fund transfer. Note that these transfer amounts *do* count against the statutory contribution limits outlined above.

21. If I elect the HDHP mid-year, how much can I contribute to my HSA?
If you enroll mid-year, in general your contributions are limited by the 1/12 rule.
Single Coverage: For each full calendar month of qualified coverage, you may contribute up to 1/12 of the $3,850 annual limit.
Family Coverage: For each full calendar month of qualified coverage, you may contribute up to 1/12 of the $7,750 annual limit.

However, you can contribute more than is permitted by the 1/12 rule if you stay enrolled for the next year, which is known as the "testing period." The testing period requires you to maintain the HDHP through the entire month of December of the current tax year and all twelve (12) months of the next tax year. The type of HDHP coverage (single or family) you have on December 1 governs the amount that you can contribute for the year.

Examples : If enrolled in single coverage on December 1, you may contribute up to $3,850. If you are enrolled in family coverage on December 1, you may contribute up to $7,750. In each instance, if you are at least age 55, you can also make a $1,000 catch up contribution.

These higher contributions will be taxed and subject to an additional 10% penalty tax if you fail to stay enrolled in the HDHP during the entire testing period. Please see IRS Publication 969 and IRA Form 8889 at www.IRS.gov for examples and for a testing period worksheet.

22. If I have a family status change mid-year and drop the HDHP, what is the maximum amount I can contribute to my HSA?
If you drop the HDHP mid-year, your contributions are limited by the 1/12 rule.

Single Coverage: For each full month of coverage, you may contribute up to 1/12 of the $3,850 annual limit, plus 1/12 of any catch-up contribution.
Family Coverage: For each full month of coverage, you may contribute up to 1/12 of the $7,750 annual limit, plus 1/12 of any catch-up contribution.

23. If I have a family status change and my HDHP coverage changes from single to family coverage, what is the maximum amount I can contribute to my HSA?
If your status changes from single to family on or before December, you may make a full family contribution, including any catch-up contribution. If you make your contribution for the full year based on enrollment in family coverage, you will be subject to the testing period described in question 21.

24. If I have a family status change that changes my HDHP coverage from family to single, what is the maximum amount I can contribute to my HSA?
You are permitted to contribute 1/12th of the family annual maximum for each full month you are covered by a family HDHP, plus 1/12th of the single annual maximum for each full month you are covered by a single HDHP. You may also contribute 1/12 of any catch-up contribution.

25. What happens to my HSA if I get a job at a new company that doesn't have an HSA-qualified option?
Your HSA is your money, so it goes with you from job to job. If your new employer has an HSA-qualified plan and you enroll in that plan, you can continue contributing funds to your existing HSA. If not, you can continue to spend the money in your account to meet your family's expenses tax-free. You can also choose to let the money sit in the account until you need it later on in life. You cannot, however, contribute to the account or have contributions made on your behalf if you do not have HSA-qualified insurance.