Spending Account
Service Center

Health Savings Account FAQs

What is a Health Savings Account (HSA)?

A Health Savings Account (HSA) is a special tax-advantaged savings account similar to a traditional Individual Retirement Account (IRA) but designated for medical expenses. An HSA allows you to pay for current eligible health care expenses and save for future qualified medical and retiree health care expenses on a tax-favored basis.

HSAs provide triple-tax advantages: contributions, investment earnings, and qualified distributions all are exempt from federal income tax, FICA (Social Security and Medicare) tax and state income taxes (for most states).

Unused HSA dollars roll over from year to year, making HSAs a convenient and easy way to save and invest for future medical expenses. You own your HSA at all times and can take it with you when you change medical plans, change jobs or retire.

Funds in the account not needed for near-term expenses may be able to be invested, providing the opportunity for funds to grow. The threshold for investment is determined by your employer.

To be eligible to set up an HSA and to make contributions, you must be covered by a qualified "high-deductible health plan", or HDHP.

How does an HSA work?

1. To be eligible to contribute to an HSA, you must be covered by a qualified high-deductible health plan (HDHP) and have no other first dollar coverage (insurance that provides payment for the full loss up to the insured amount with no deductibles).

2. You may use your HSA to help pay for medical expenses covered under a high-deductible health plan, as well as for other common qualified medical, dental and vision expenses.

3. Unused HSA funds remain in your account for later, and may be able to be invested in a choice of investment options, providing the opportunity for funds to grow.

HSAs work in conjunction with an HDHP. All the money you (or your employer) deposit into your HSA up to the maximum annual contribution limit is 100% tax-deductible from federal income tax, FICA (Social Security and Medicare) tax, and in most states, state income tax. This makes HSA dollars tax-free. You can use these tax-free dollars to pay for expenses not covered under your HDHP until you have met your deductible.

The insurance company pays covered medical expenses above your deductible, except for any coinsurance; you can pay coinsurance costs with tax-free money from your HSA. In addition, you can use your HSA tax-free dollars to pay for qualified medical expenses not covered by the HDHP, such as dental, vision and alternative medicines.

Who can have an HSA?

You must be:

- Covered by a qualified high deductible health insurance plan;
- Not covered under other health insurance;
- Not enrolled in Medicare; and
- Not another person's dependent.

Exceptions: Other health insurance does not include coverage for the following: accidents, dental care, disability, long-term care, and vision care. Workers' compensation, specified disease, and fixed indemnity coverage is permitted.

How much can I contribute to my HSA?

For 2021, the maximum contribution for an eligible individual with self-only coverage is $3,600 and the maximum contribution for an eligible individual with family coverage is $7,200. Individuals who are eligible individuals on the first day of the last month of the taxable year (December for most taxpayers) are allowed the full annual contribution (plus catch up contribution, if 55 or older by year end), regardless of the number of months the individual was an eligible individual in the year.

- HSA holders can choose to save up to $3,600 for an individual and $7,200 for a family (HSA holders 55 and older get to save an extra $1,000, which means $4,600 for an individual and $8,200 for a family) - and these contributions are 100% tax deductible from gross income.
- Minimum annual deductibles are $1,400 for self-only coverage or $2,800 for family coverage.
- Annual out-of-pocket expenses (deductibles, co-payments and other amounts, but not premiums) cannot exceed $7,000 for self-only coverage and $14,000 for family coverage.

	Minimum Deductible	Maximum Out-of-Pocket	Contribution Limit	55+ Contribution
Single	$1,400	$7,000	$3,600	$1,000
Family	$2,800	$14,000	$7,200	$1,000

* Catch-up contributions are allowed for those greater than 55 years of age ($1,000 in 2021). Catch-up contributions can be made at any time during the year in which the HSA participant turns 55.

For more detailed information on HSAs and taxes, visit the U.S. Department of Treasury website at www.ustreas.gov or talk with your tax advisor.

What is a high-deductible health plan (HDHP)?

With a high-deductible health plan, you have the security of comprehensive health care coverage. Like a traditional plan, you are responsible for paying for your qualified medical expenses up to the in-network deductible; however, the deductible will be higher, and you can use HSA funds to pay for these expenses.

After the annual deductible is met, you are responsible only for a portion of your medical expenses through coinsurance or co-payments, just as with a traditional health plan. For 2021, the minimum HDHP deductible by law is $1,400 for individuals and $2,800 for families.

For 2020, the maximum out-of-pocket expenses by law (including deductible and co-payments, but not including premiums) cannot exceed $7,000 for individuals and $14,000 for families.

The deductible and maximum out-of-pocket expenses are indexed annually for inflation by the IRS and US Department of Treasury.

How do HSAs differ from health care flexible spending accounts (FSAs)?

Both HSAs and FSAs allow you to pay for qualified medical expenses with pre-tax dollars. One key difference, however, is that HSA balances can roll over from year to year, while FSA money left unspent at the end of the year is limited to a $550 carryover to the immediately following plan year OR a grace period. You may choose to use a Limited Purpose FSA to pay for eligible heath care expenses and save your HSA dollars for future health care needs. You may use Limited Purpose FSA dollars to reimburse yourself for expenses not covered by your high-deductible health plan, such as:

- Vision expenses, including: Glasses, frames, contacts, prescription sunglasses, goggles, vision co-payments, optometrists or ophthalmologist fees, and corrective eye surgery

- Dental expenses, including: Dental care, deductibles and co-payments, braces, x-rays, fillings, and dentures

What are the tax advantages of owning an HSA?

Triple Tax Savings:

- Contributions are tax free
- Earnings are tax free
- Withdrawals are tax free when made for eligible medical care expenses

Why is my employer offering an HSA in conjunction with a qualified HDHP?

Offering an HSA is an excellent way to help you save for future medical expenses and pay for current deductible and coinsurance expenses with tremendous tax advantages.

May I have more than one HSA?

Yes, you may have more than one HSA and you may contribute to them all, as long as you are currently enrolled in an HDHP. However, this does not give you any additional tax advantages, as the total contributions to your accounts cannot exceed the annual maximum contribution limit. Contributions from your employer, family members, or any other person must be included in the total.

Can I get an HSA even if I have other insurance that pays medical bills?

You're only allowed to have auto, dental, vision, disability and long-term care insurance at the same time as an HDHP. You may also have coverage for a specific disease or illness as long as it pays a specific dollar amount when the policy is triggered.

Can my HSA be used to pay premiums?

No, this would be a nonmedical withdrawal, subject to taxes and penalty.

Exceptions. No penalty or taxes will apply if the money is withdrawn to pay premiums for:

- Qualified long-term care insurance; or
- Health insurance while you are receiving federal or state unemployment compensation; or
- Continuation of coverage plans, like COBRA, required under any federal law; or
- Medicare premiums.

Can I use the money in my HSA to pay for medical care for a family member?

Generally, yes. Qualified medical expenses include unreimbursed medical expenses of the accountholder, his or her spouse, or dependents.

What is a qualified medical expense?

A qualified medical expense is one for medical care as defined by Internal Revenue Code Section 213(d). The expenses must be primarily to alleviate or prevent a physical or mental defect or illness, including dental and vision. Most expenses for medical care will fall under IRC Section 213(d).

However, some expenses do not qualify. A few examples are:

- Surgery for purely cosmetic reasons
- Health club dues
- Illegal operations or treatment
- Maternity clothes
- Toothpaste, toiletries, and cosmetics
- HSA money cannot generally be used to pay your insurance premiums.

*See IRS Publications 502 (“Medical and Dental Expenses”) and 969 (“Health Savings Accounts and Other Tax-Favored Health Plans”) for more information.

What happens to my HSA if I quit my job or otherwise leave my employer?

You have two options: Keep it with Trion™ or take it with you**.** Your HSA is portable. This means that you can take your HSA with you when you leave and continue to use the funds you have accumulated. Funds left in your account continue to grow tax-free. If you are covered by a qualified HDHP you can even continue to make tax-free contributions to your HSA.

Distributions from your HSA used exclusively to pay for qualified expenses for you, your spouse, or dependents are excluded from your gross income. Your HSA funds can be used for qualified expenses even if you are not currently eligible to make contributions to your HSA.

How and when can money be taken out of an HSA?

Account holders may make a withdrawal (also known as a distribution) at any time. Distributions received for qualified medical expenses not covered by the high deductible health plan are distributed tax-free. Distributions can be requested via your online account.

Unless individuals are disabled, age 65 or older, or die during the year, they must pay income taxes plus an additional percentage (determined by the IRS) on any amount not used for qualified medical expenses.

Individuals who are disabled or reach age 65 can receive non-medical distributions without penalty but must report the distribution as taxable income.

How are distributions from my HSA taxed after I am no longer eligible to contribute?

If you are no longer eligible to contribute because you are enrolled in Medicare benefits, or are no longer covered by a qualified HDHP, distributions used exclusively to pay for qualified medical expenses continue to be free from federal taxes and state tax (for most states) and excluded from your gross income.

What happens to the money in my HSA after I reach age 65?

At age 65 and older, your funds continue to be available without federal taxes or state tax (for most states) for qualified medical expenses; for instance, you may use your HSA to pay certain insurance premiums, such as Medicare Parts A and B, Medicare HMO, or your share of retiree medical coverage offered by a former employer. Funds cannot be used tax-free to purchase Medigap or Medicare supplemental policies.

If you use your funds for qualified medical expenses, the distributions from your account remain tax-free. If you use the monies for non-qualified expenses, the distribution becomes taxable, but exempt from the 20 percent penalty. With enrollment in Medicare, you are no longer eligible to contribute to your HSA. If you reach age 65 or become disabled, you may still contribute to your HSA if you have not enrolled in Medicare.