

HSA Frequently Asked Questions

What is a Health Savings Account? What are the advantages?



Q What is a Health Savings Account (HSA)?

A An HSA is a type of account you can use to set aside money to pay for qualified health care expenses. You don't have to pay taxes on money contributed to or withdrawn from an HSA, as long as the money is spent on a qualified health care expense.

Q What is a qualified high deductible health plan (QHDHP), and what does it have to do with an HSA?

A To open an HSA, you must be enrolled in a qualified high deductible health plan (QHDHP). As the name implies, QHDHPs have higher deductibles than traditional health plans. The advantage of this type of plan is that the premiums are lower than other types of plans and you have more control over your health care costs.

Q How does an HSA work?

A You contribute funds to the HSA to fund the account, often through payroll deductions. Your employer may also contribute to the account. Use your HSA debit card to pay for a qualifying expense. Or, if you don't have a debit card, pay for the expense and submit to your HSA for reimbursement.

Q Do I qualify for an HSA?

A The key qualification for an HSA is that you must be enrolled in a QHDHP, with no other health coverage. You also cannot be enrolled in Medicare or claimed as a dependent on someone else's taxes. For more details on eligibility requirements, see IRS Publication 969.

Q How much can I contribute?

A The IRS sets a limit for HSA contributions each year. For 2020, the limit is \$3,550 for an individual and \$7,100 for a family.

Q Who can use the money in my HSA?

A You may use the money in the HSA to pay for qualified expenses for you, your spouse and dependents. You can use the money for expenses for your spouse and dependents, even if they are not enrolled in the QHDHP.

Q Do I need any documentation to prove my expenses were qualified?

A In general, you will not need to provide documentation at the time of withdrawing funds, but keep your receipts! If you are audited, you will need to prove to the IRS that distributions from the HSA were used for qualified health care expenses.

Q What happens if I use the money in my HSA for something other than a qualified health care expense?

A If you're under 65, you'll have to pay a 20% penalty and taxes on the withdrawn funds. If you're 65 or older, you will only have to pay taxes on the funds, but will not have to pay the penalty.

Q What if I don't use all the money in my HSA?

A The money will rollover to the next year and will even grow with tax-free interest. There's no limit to the amount you can rollover.

Q What if I change jobs or health plans?

A HSAs are portable, which means you keep your HSA even if you change employers or health plans.

For more details on HSA rules and eligibility, refer to IRS Publication 969 or your HR department.



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