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HSA

Frequently asked questions about your HSA

Thank you for choosing Benefit Extras to be your HSA provider. We want to make it easy for you to manage and maintain your Health Savings Account, so we've provided you with these frequently asked questions about Health Savings Accounts (HSA).

How It Works

Your Health Savings Account allows you to save pre-tax income that you can use to pay for qualified short and long-term medical expenses. It compliments your High-Deductible Health Plan, giving you an additional method to save specifically for healthcare costs.

Here's how it works:

CONTRIBUTIONS

Tax-free contributions to your HSA can be made in a variety of ways, including:
1. Pre-tax payroll contributions.
2. Online transfers — transfer funds directly to your HSA from your linked personal savings or checking account.
3. Send a check to Benefit Extras for deposit into your HSA.
4. Make a transfer from an existing HSA or selected IRA (Individual Retirement Account); certain rules apply.

DISTRIBUTIONS

Distributions from your HSA are used to pay for qualified healthcare expenses.
This can be done by the following methods:
1. Paying for purchases and healthcare services using a debit card.
2. Using online bill pay through your online HSA portal.
3. Requesting self-reimbursement through the online portal when you have already paid out-of-pocket for qualified expenses.
4. Paying with an HSA check (a $5.00 fee will apply).

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 healthcare expenses. An HSA allows you to pay for current eligible health care expenses and save for future qualified healthcare 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 healthcare 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. Investment options include money market accounts, mutual funds, etc. A list of available funds to select from is available on your portal under the **Tools & Support** tab.

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 a 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 healthcare expenses covered under a high-deductible health plan, as well as for other common qualified healthcare 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 or other common qualified healthcare expenses.

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

Who can have an HSA?

You must be:

1. Covered by a qualified high deductible health insurance plan (HDHP);
2. Not covered under other health insurance;
3. Not enrolled in Medicare; and
4. 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 also permitted.

How much can I contribute to my HSA?

- For 2025, the maximum contribution for an eligible individual with self-only coverage is $4,300 ($4,150 for 2024) and the maximum contribution for an eligible individual with family coverage is $8,550 ($8,300 for 2024). 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. You must however remain an eligible individual during the testing period. If you fail to remain an eligible individual during the testing period, for reasons other than death or becoming disabled, you will have to include in income the qualified HSA funding distribution. You include this amount in income in the year in which you fail to be an eligible individual. This amount is also subject to a 10% additional tax. The income and the additional tax are calculated on Form 8889, Part III.

- In 2025 HSA accountholders can choose to save up to $4,300 for an individual and $8,550 for a family (HSA accountholders 55 and older get to save an extra $1,000) and these contributions are 100% tax deductible from gross income. In 2024 HSA accountholders can choose to save up to $4,150 for an individual and $8,300 for a family (HSA accountholders 55 and older get to save an extra $1,000) and these contributions are 100% tax deductible from gross income.

- In 2025 the minimum annual deductibles under the HDHP are $1,650 for self-only coverage or $3,300 for family coverage. In 2024, the minimum annual deductibles under the HDHP are $1,600 for self-only coverage or $3,200 for family coverage.

- In 2025 the annual out-of-pocket expenses (deductibles, co-payments, and other amounts, but not premiums) cannot exceed $8,300 for self-only coverage and $16,600 for family coverage. In 2024 the annual out-of-pocket expenses (deductibles, co-payments, and other amounts, but not premiums) cannot exceed $8,050 for self-only coverage and $16,100 for family coverage.

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

- ## 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 2025 the minimum HDHP deductible by law is $1,650 for individuals and $3,300 for families. For 2024 the minimum HDHP deductible by law is $1,600 for individuals and $3,200 for families.

- For 2025 the maximum out-of-pocket expenses by law (including deductible and co-payments, but not including premiums) cannot exceed $8,300 for individuals and $16,600 for families; for 2024 the maximum out-of-pocket expenses by law (including deductible and co-payments, but not including premiums) cannot exceed $8,050 for individuals and $16,100 for families.

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

	2024 Rev. Proc. 2023-23	**2025** Rev. Proc. 2024-25
Annual limitation on deductions to an HSA – self-only coverage	$4,150	$4,300
Annual limitation on deductions to an HSA – family coverage	$8,300	$8,550
HDHP – self-only coverage · Annual deductible not less than: · Annual out-of-pocket expenses do not exceed:	$1,600 $8,050	$1,650 $8,300
HDHP – family coverage · Annual deductible not less than: · Annual out-of-pocket expenses do not exceed:	$3,200 $16,100	$3,300 $16,600

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.

How do I know if my health plan is a "qualifying (or qualified)" High-Deductible Health Plan (HDHP)?

The health insurer or your employer can verify the status of your coverage. In addition, the words "qualifying (or qualified) high-deductible health plan" or a reference to IRC (Internal Revenue Code) Section 223 will be included in the declaration page of your policy or in another official communication from the insurance company. A HDHP is a health insurance plan that generally doesn't pay for the first several thousand dollars of health care expenses (i.e., your "deductible") but will generally cover you after that.

It is important when selecting your HDHP that your insurance carrier verify and guarantee that the HDHP meets IRS regulations to ensure your HSA is qualified.

How do HSAs differ from Healthcare Flexible Spending Accounts (FSAs)?

Both HSAs and FSAs allow you to pay for qualified healthcare 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 may be limited to a specific carryover amount to the following plan year OR a grace period – your plan documents will indicate if either of these apply. If offered by your employer, you may choose to use a Limited Purpose FSA to pay for certain eligible expenses and save your HSA dollars for future healthcare needs. You may use Limited Purpose FSA dollars to reimburse yourself for expenses not covered by your high-deductible health plan, such as:

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

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

3. Medical expenses over and above the minimum annual deductible applicable to HSA compatible health plans (post-deductible expenses). Post-deductible expenses are defined as medical expenses that are incurred after the minimum annual deductible applicable to a HSA-compatible high-deductible health plan (HDHP) has been satisfied.

   To qualify as an HSA-compatible HDHP for 2025, the deductible limits are as follows:
   Individual/Single = $1,650
   Family = $3,300

   To qualify as an HSA-compatible HDHP for 2024, the deductible limits are as follows:
   Individual/Single = $1,600
   Family = $3,200

   It is important that you review your plan documents for the specific details under your Employer's plans.

What are the tax advantages of owning an HSA?

Triple Tax Savings:
1. Contributions are tax free
2. Earnings are tax free
3. Withdrawals are tax free when made for eligible healthcare expenses

Three kinds of tax-favored contributions:

1. Employee contributions that are deductible over-the-line (i.e. deductible even by non-itemizers).
2. Employer contributions that are excluded from income and employment taxes.
3. Salary reduction contributions made through a Section 125 cafeteria plan.

All three forms of contributions are exempt from federal income taxes. Employer and salary reduction contributions (section 125 cafeteria plan) are exempt from FICA and FUTA as well.

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 healthcare expenses and pay for current 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 non-healthcare distribution, subject to taxes and penalty.

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

1) Qualified long-term care insurance; or
2) Health insurance while you are receiving federal or state unemployment compensation; or
3) Continuation of coverage plans, like COBRA, required under any federal law; or
4) 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 healthcare expenses of the accountholder, his or her spouse, or dependents.

What is a qualified medical expense?

A qualified healthcare 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.

Funds you withdraw from your HSA are tax-free when used to pay for qualified healthcare expenses as described in Section 213(d) of the Internal Revenue Service Tax Code. The expenses must be primarily to alleviate or prevent a physical or mental defect or illness, including dental and vision. A list of these expenses is available on our website at www.benefitextras.com (password HCET2022), the IRS website at www.irs.gov or in IRS Publication 502, "Medical and Dental Expenses."

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

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 continue to make tax-free contributions to your HSA.

Distributions from your HSA used exclusively to pay for qualified healthcare expenses for you, your spouse, or dependents are excluded from your gross income. Your HSA funds can be used for qualified healthcare 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 healthcare 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 healthcare expenses.

Individuals who are disabled or reach age 65 can receive non-healthcare 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 healthcare 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 healthcare 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 healthcare 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.

Where can I find more information regarding HSAs?

On the **Home Page**, under the **Tools & Support** tab, you may find links that connect you to helpful information and resources that enable you to manage your healthcare more effectively.

You can also find additional information on Health Savings Accounts at the following resource:

- U. S. Department of the Treasury – Health Savings Accounts (HSAs)