



FAQ: Health Savings Account (HSA)

- 1 What is a Health Savings Account (HSA)?**

An HSA is a personal savings account that you can contribute to pretax, and can be used to pay for medical, dental, vision, and other qualified expenses now, or later in life. To contribute to an HSA, you must be enrolled in a Consumer-Directed Health Plan (CDHP) and your contributions are limited annually. The funds can also be invested, making it a great addition to your retirement portfolio.
- 2 Why should I participate in an HSA?**

Funds contributed to an HSA are triple-tax-advantaged:

 - 1. Money goes in tax-free.** Most employers offer a payroll deduction through a Section 125 Cafeteria Plan, allowing you to make contributions to your HSA on a pre-tax basis. The contribution is deposited into your HSA prior to taxes being applied to your paycheck, making your savings immediate. You can also contribute to your HSA post-tax and have the same tax savings by claiming the deduction when filing your annual taxes.
 - 2. Money comes out tax-free.** Eligible healthcare purchases can be made, tax-free, directly from your HSA account either by using your benefits debit card, ACH, online bill-pay, or by check. You can also pay out of pocket and reimburse yourself through your HSA.
 - 3. Earn interest, tax-free.** The interest on HSA funds grows on a tax-free basis. And, unlike most savings accounts, interest earned on an HSA is not considered taxable income when the funds are used for eligible expenses.
- 3 What expenses are eligible for reimbursement?**

Health plan copays, deductibles, coinsurance, vision, dental care, and certain medical supplies are covered. The IRS provides specific guidance regarding eligible expenses—for the full list, look up IRS Publication 502.
- 4 Am I eligible to participate?**

In order to contribute, you must be enrolled in a qualified CDHP, not covered under a secondary health insurance plan that is not a CDHP, not enrolled in Medicare, and not another person's dependent. There are no eligibility requirements to spend previously contributed HSA funds.
- 5 What is a consumer-directed health plan?**

A CDHP is a health insurance plan with deductible amounts that are greater than \$1,300 for individual or \$2,600 for family coverage, and have an out-of-pocket maximum that does not exceed \$6,550 for individual, or \$13,100 for family coverage.
- 6 How do I contribute money to my HSA?**

You can contribute to your HSA via payroll deduction. Your annual contribution will be divided into equal amounts and deducted from your payroll before taxes. Direct contributions can also be made from your personal checking account and

can be deducted on your personal income tax return.

7	Can I change my contributions to my HSA during the year?	Yes! You can make changes in your contributions by providing the applicable notice of change provided by your employer, and will not be subject to the change-in-status rules applicable to other benefit accounts.
8	How much can I contribute to my HSA?	Contributions can be made by the employee, their employer, or any other individual. Annual contributions from all sources may not exceed \$3,400 for singles or \$6,750 for families in 2017. Individuals aged 55 and over may make an additional \$1,000 catch-up contribution.
9	Do I have to spend all my contributions by the end of the plan year?	No. HSA money is yours to keep! Unlike a Flexible Spending Account (FSA), unused money in your HSA isn't forfeited at the end of the year; it continues to grow, tax-free.
10	What happens if my employment is terminated?	HSAs are portable and move with you if you change employment. Your HSA belongs to you, not your employer, just like your personal checking account.
11	How do I access the funds in my HSA?	Your HSA is similar to a checking account. You are responsible for making sure the money is spent on qualified purchases only, and maintaining records (receipts, et al.) to back them up. Payments can be made via check, ACH, online bill-pay, or debit card, depending on what is available to you.
12	When must contributions be made to an HSA for a taxable year?	Contributions for the taxable year can be made in one or more payments at any time after the year has begun and prior to the individual's deadline (without extensions) for filing the eligible individual's federal income tax return for that year. For most taxpayers, the deadline is April 15 of the year following the year for which contributions are made.
13	What happens to the money in my HSA if I no longer have CDHP coverage?	You can no longer make contributions to your HSA if you discontinue coverage under a CDHP and/or get secondary health insurance coverage that disqualifies you from an HSA. However, since you own the HSA, you can continue to use the remaining funds for future healthcare expenses.
14	Is tax reporting required for an HSA?	Yes. IRS form 8889 must be completed with your tax return each year to report total deposits and withdrawals from your account. You do not have to itemize to complete this form.
15	Can I still deduct healthcare expenses on my tax return?	Yes, but not the same expenses for which you have already been reimbursed from your HSA.
16	Can I withdraw the money for non-	You'll pay a 20% excise tax if you withdraw the money for an unqualified expense prior to age 65. After age 65, you can withdraw the money for any reason without

healthcare purchases?

penalty, but are subject to applicable income taxes.

17 **Can I roll over or transfer funds from my HSA into my new HSA?**

Yes. Pre-existing HSA funds may be rolled into your HSA through Collective Health/Avidia Bank, and will continue their tax-free status.

18 **Can I transfer funds between the cash and investment accounts?**

Yes. You can transfer money between your HSA cash and HSA investment account at any time.

19 **Can I control how the funds are invested?**

Yes. Once your HSA cash account balance reaches the minimum amount required by Avidia Bank (\$1,000), you can transfer funds to an HSA investment account with Devenir Investments. You can choose from a selection of 13 mutual funds and setup and allocation model for future transfers like you would for a 401(k) plan.



Need more information or have questions? We're happy to help.

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We're looking forward to a happy, healthy year ahead!