



# Know Your Benefits

## Frequently Asked Questions About Using HSAs

### How do I manage my HSA?

Your health savings account (HSA) is your account; the HSA dollars are your dollars. Since you are the account holder or HSA owner, you manage your HSA account. You may choose when to use your HSA dollars or when not to use your HSA dollars. HSA dollars can pay for qualified medical expenses on a tax-free basis. Most commonly, HSA owners use HSA dollars to pay the out-of-pocket expenses associated with their high deductible health plan (HDHP), such as the deductible or any coinsurance.

### What expenses are eligible for tax-free reimbursement from my HSA?

Your HSA dollars may be used on a tax-free basis for qualified medical expenses incurred by you, your spouse or your dependent children.

Qualified medical expenses include payments for medical services rendered by physicians, surgeons, dentists and other medical practitioners. They also include the costs of equipment, supplies and diagnostic devices needed for these purposes. Medical care expenses must be primarily to alleviate or prevent a physical or mental disability or illness. They don't include expenses that are merely beneficial to general health, such as vitamins or a vacation.

In addition, the following insurance premiums may be reimbursed from an HSA on a tax-free basis:

- Health care continuation premiums (for example, COBRA premiums)
- Health insurance premiums while receiving unemployment benefits
- Qualified long-term care premiums
- Any health insurance premiums paid, other than for a Medicare supplemental policy, by individuals ages 65 and over

### Are dental and vision care qualified medical expenses under an HSA?

Yes, as long as they would qualify for the medical and dental expenses deduction under federal tax law. This deduction is explained in IRS Publication 502, "Medical and Dental Expenses." For example, cosmetic procedures, like cosmetic dentistry, are not considered qualified medical expenses.

### What medical expenses are NOT eligible for tax-free reimbursement from my HSA?

The following medical expenses may not be reimbursed from an HSA on a tax-free basis:

- Premiums for Medicare supplemental policies
- Expenses covered by another insurance plan
- Expenses incurred prior to the date the HSA was established

### Can I use my HSA dollars for other expenses?

You are permitted to take a distribution from your HSA at any time and for any reason; however, only those amounts used exclusively to pay for qualified medical expenses are tax-free. Any amounts you withdraw from your HSA that are not used to pay for qualified medical expenses are taxable income to you. These amounts are also subject to a 20% tax penalty unless you are age 65 or older, disabled or deceased.

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## What if I want to use my HSA to pay for long-term care insurance?

This is allowed. HSA distributions used to pay for long-term care insurance premiums qualify as tax-free distributions. However, there is an annual limit to the amount you may contribute toward this expense, which is adjusted by the IRS every year.

## When can I start using my HSA dollars?

You can use your HSA dollars immediately following your HSA account activation and once contributions have been made.

## When, and how often, can I contribute to my HSA account?

You, your employer or others can contribute to your HSA account through payroll deductions or as a lump sum deposit. You can contribute as often as you like, provided the total contributions to your HSA for 2024 do not exceed \$4,150 (\$4,300 for 2025) if you have single HDHP coverage or \$8,300 (\$8,550 for 2025) if you have family HDHP coverage. Individuals who are ages 55 or older are eligible to make catch-up contributions up to \$1,000.

## How can I pay my physician or network facility at time of service with my HSA dollars?

You may request that the network provider submit your claim to your HDHP. You should make sure that your provider has your most up-to-date insurance information. Once the medical claim has been processed, if applicable, out-of-pocket expenses will be billed. At this time, you may choose to use your HSA debit card or HSA check (if available) to pay for any out-of-pocket expenses, or you may choose to pay with your own money and receive reimbursement at a later date. You should always ask that your medical claim be submitted to the HDHP before you seek reimbursement from your HSA. This will ensure that provider discounts are applied. Also, remember to keep all medical receipts and any explanation of benefits.

## What if I have HSA dollars left in my account at year-end?

The money is yours to keep. It will continue to earn interest and will be available for you and your health care costs next

year. Any dollars left in your HSA account at the end of the year will automatically roll over into the next year.

## What happens to my HSA dollars if I leave my employer?

The funds are yours to keep. You may elect one of the following tax-free options:

- Leave your funds in the current HSA account.
- Request that your current HSA custodian directly transfer your funds to an HSA with your new employer.
- Receive a distribution of your HSA funds and roll over the funds to another HSA within 60 days.

## What if I want to close my account?

In general, unless you transfer or roll over your HSA funds to another HSA account, your HSA funds will be subject to taxes if withdrawn for reasons other than a qualified medical expense.

## Can my HSA dollars be used for retirement health care costs?

Yes, but only withdrawals for qualified medical expenses will be tax-free.

## Can I use the money in my HSA to pay for my dependents' medical expenses tax-free?

You can use your HSA money to pay for the qualified medical expenses of yourself, your spouse or your dependent children on a tax-free basis. You can pay for qualified medical expenses of your spouse and dependent children even if they are not covered by your HDHP.

## Can couples establish a joint account and both make contributions to the account, including catch-up contributions?

Joint HSA accounts are not permitted. Each spouse should consider establishing an account in his or her own name. This allows you to both make catch-up contributions when you are 55 or older.



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## **What if my spouse or family member wants to make contributions to my HSA?**

Family members may make contributions on behalf of other family members. However, the total contribution made by you, your family member and your employer cannot exceed the annual contribution limit (with only a single exception for the additional catch-up contribution if the account holder is at least 55 years old).

## **My employer offers an FSA—can I have an FSA and still contribute to an HSA?**

In most cases, you cannot have coverage under a health FSA and make contributions to an HSA. However, if your employer offers a limited-purpose health FSA (limited to dental, vision or preventive care) or a post-deductible health FSA (pays for medical expenses after the HDHP annual deductible is met), then you may still be eligible for an HSA.

## **What if I change my health coverage to a plan that doesn't allow an HSA?**

If you no longer have coverage under an HDHP, you will have to stop making contributions to your HSA for that period of coverage. However, you will still be able to use your HSA funds on a tax-free basis to pay for qualified medical expenses.

## **Can I shift my IRA funds to my HSA?**

Owners of individual retirement accounts who are enrolled in an HDHP plan can shift IRA funds to an HSA without facing a tax penalty. The IRS generally allows a one-time transfer that does not exceed your maximum HSA contribution limit.

## **Can I borrow against the money in my HSA?**

No. You may not borrow against it or pledge the funds in it. For more information on prohibited activities, see Section 4975 of the Internal Revenue Code.

## **Can the funds in an HSA be invested?**

Yes, you can invest the funds in your HSA. The same types of investments permitted for IRAs are allowed for HSAs, including stocks, bonds, mutual funds and certificates of deposit.