KNOW YOUR BENEFITS.

From

Health Savings Accounts

A health savings account (HSA) is an account funded to help you save for future medical expenses. There are certain advantages to putting money into these accounts, including favorable tax treatment.

Who Can Have an HSA?
Any adult can have an HSA if you:

- Have coverage under an HSA-qualified, high deductible health plan (HDHP)
- Have no other health coverage (certain types of insurance, such as specific injury or accident, disability, dental care, vision care or long-term care, are permitted)
- Are not enrolled in Medicare
- Cannot be claimed as a dependent on someone else's tax return

Contributions to your HSA can be made by you, your employer or both. However, the total contributions are limited annually. If you make a contribution, you can deduct the contributions (even if you do not itemize deductions) when completing your federal income tax return. Alternatively, some employers will allow you to make your HSA contributions as tax-free salary reductions.

Contributions to the account must stop once you are enrolled in Medicare. However, you can still use your HSA funds to pay for medical expenses tax-free.

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HDHPs
You must have coverage under an HSA-qualified high deducble health plan to open and contribute to an HSA. Generally, this plan will not cover first-dollar medical expenses, and must have a deductible of at least:

- Single coverage: $1,350 for 2018 ($1,350 for 2019)
- Family coverage: $2,700 for 2018 ($2,700 for 2019)

In addition, annual out-of-pocket expenses under the plan (including deductibles, copays and coinsurance) cannot exceed the following limits:

- Single coverage: $6,650 for 2018 ($6,750 for 2019)
- Family coverage: $13,300 for 2018 ($13,500 for 2019)

In general, the deductible must apply to all medical expenses (including prescriptions) covered by the plan. However, plans can pay for preventive care services on a first-dollar basis. Preventive care can include routine prenatal and well-child care, child and adult immunizations, annual physicals, mammograms and more.

HSA Contributions
You can make a contribution to your HSA each year that you are eligible. You can contribute no more than:

- Single coverage: $3,450 for 2018 ($3,500 for 2019)
- Family coverage: $6,900 for 2018 ($7,000 for 2019)

Individuals ages 55 and older can also make additional "catch-up" contributions of up to $1,000 annually.

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Determining Your Contribution

Your eligibility to contribute to an HSA is determined by the effective date of your HDHP coverage. Individuals who are eligible to contribute to an HSA in the last month of the taxable year are allowed to contribute an amount equal to the annual HSA contribution amount provided they remained covered by the HSA for at least the 12-month period following that year. Contributions can be made as late as April 15 of the following year.

Using Your HSA

You can use money in your HSA to pay for any qualified medical expense permitted under federal tax law. This includes most medical care and services, dental and vision care.

Generally, you cannot use your HSA to pay for medical insurance premiums, except specific instances, including:

- Any health plan coverage while receiving federal or state unemployment benefits
- COBRA continuation coverage after leaving employment with a company that offers health insurance coverage
- Qualified long-term care insurance
- For HSA holders who are age 65 or older, any deductible health insurance (for example, retiree medical coverage) other than a Medicare supplemental policy.

You can use your HSA to pay for medical expenses for yourself, your spouse or your dependent children, even if your dependents are not covered by your HDHP. Any amounts used for purposes other than to pay for qualified medical expenses are taxable as income and subject to an additional 20 percent penalty. Examples include:

- Medical procedures and expenses not considered qualified under federal tax law
- Over-the-counter drugs and medications obtained without a prescription (except insulin)
- Health insurance premiums, unless specifically described above
- Medicare supplement insurance premiums
- Expenses not health-related.

After you turn 65, the 20 percent additional tax penalty no longer applies. If you become disabled and/or enroll in Medicare, the account can be used for other purposes without paying the additional penalty.

Advantages of HSAs

Security – Your HSA can provide a buffer for unexpected medical bills.

Affordability – In most cases, you can lower your health insurance premiums by switching to health insurance coverage with a higher deductible.

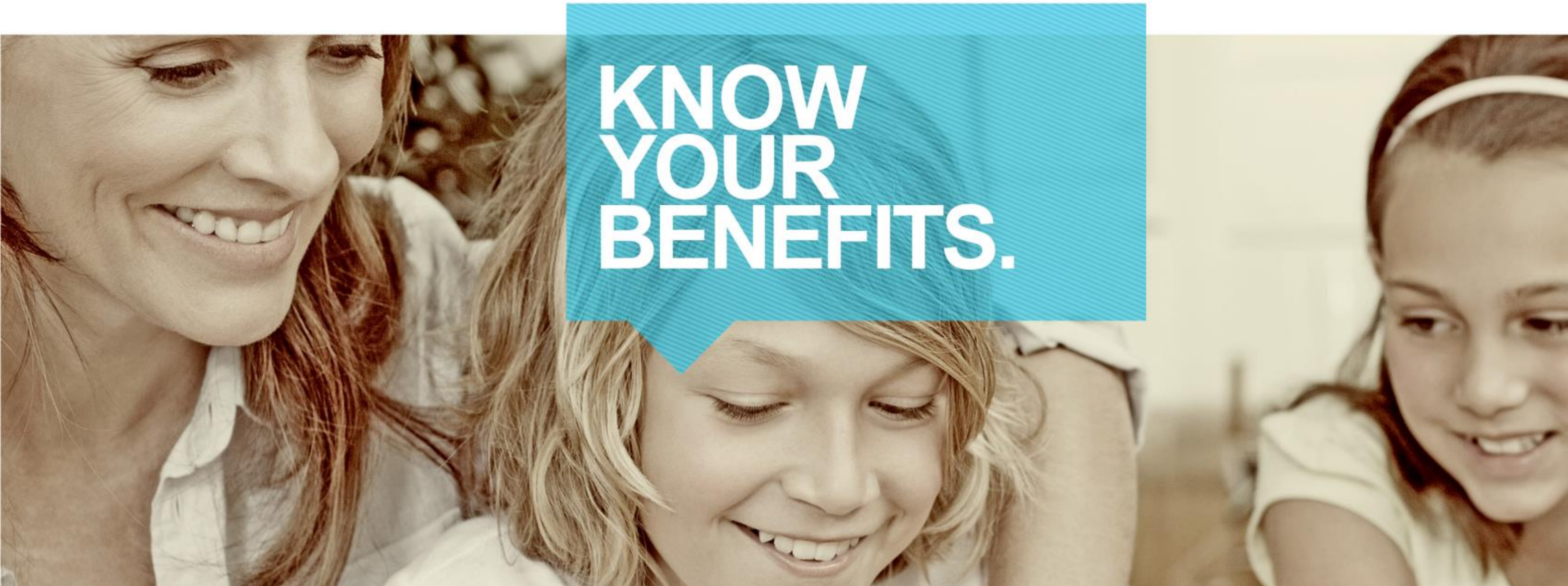
Flexibility – You can use your HSA to pay for current medical expenses, including expenses that your insurance may not cover, or save your funds for future needs, such as:

- Health insurance or medical expenses if unemployed
- Medical expenses after retirement (before Medicare)
- Out-of-pocket expenses when covered by Medicare
- Long-term care expenses and insurance

Savings – You can save the money in your HSA for future medical expenses and grow your account through investment earnings.

Control – You make the decisions regarding:

- How much money you will put in the account
- Whether to save the account for future expenses or pay current medical expenses
- Which medical expenses to pay from the account
- Which financial institution will hold the account



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- Whether to invest any of the money in the account
- Which investments to make

Portability – Accounts are completely portable, meaning you can keep your HSA even if you:

- Change jobs
- Change your medical coverage
- Become unemployed
- Move to another state
- Change your marital status

Ownership – Funds remain in the account from year to year, just like an IRA. There are no “use it or lose it” rules for HSAs.

Tax Savings – An HSA provides you triple tax savings:

1. Tax deductions when you contribute to your account
2. Tax-free earnings through investment
3. Tax-free withdrawals for qualified medical expenses

What Happens to My HSA When I Die?

- If you are married, your spouse becomes the owner of the account and can use it as if it were his or her own HSA.
- If you are not married, the account will no longer be treated as an HSA upon your death. The account will pass to your beneficiary or become part of your estate (and be subject to any applicable taxes).

Opening Your HSA

Banks, credit unions, insurance companies and other financial institutions are permitted to be trustees or custodians of these accounts. Other financial institutions that handle IRAs or Archer MSAs are also automatically qualified to establish HSAs.

Learn More

To learn more about health savings accounts or how to get started, contact HR today.