

Health Savings Account (HSA) FAQs

Q1. How do I set up an HSA?

If you enrolled in the High Deductible Health Plan for FY18 for the first time, you will receive information from us and Discovery Benefits on how to set up an account.

Things we want you to know:

- The State only will make employer contributions and pretax payroll contributions to Discovery Benefit accounts.
- There are no maintenance fees associated with your Discovery Benefit account.

Q2. What is a Health Savings Account (HSA)?

HSAs are individual savings accounts designed to pay for qualified medical expenses of a participant (plus spouse and dependents) in a High Deductible Health Plan. An HSA plan has two components:

1. A qualified high-deductible health insurance plan
2. As individual tax-exempt trust (savings/investments)

The savings account is designed to pay for routine medical, dental and vision expenses and/or provide savings in the future. Money put into the account can be used either during the year or accumulated over time.

Allowable medical expenses are defined by the IRS and are much broader than most insurance carriers (i.e., includes dental, vision). For additional information refer to the IRS Publication 502 for specific details.

- High deductible health plans have lower premiums than other plans with copayments
- By allowing individuals to keep any unused money in the HSA, there are incentives for consumers to check bills, compare costs, and evaluate urgency/frequency of appointments.

Q3. Who is eligible for a Health Savings Account?

A member enrolled in the High Deductible Health Plan may set up an HSA. You are not eligible if you are:

- Covered by a health plan that is not a qualified high-deductible health plan (dual coverage).
- A dependent on someone else's tax return.
- 65 or older and have signed up for Medicare coverage.
- Have a spouse who is contributing to a medical savings/flexible savings account that is not a combination account.
- Covered by Tricare.

HSA rules are determined at the federal level. Individuals may be eligible under state guidelines for qualified health insurance coverage, **but** not eligible to open the savings account portion of the plan.

Q4. Does the State contribute to my HSA?

Yes. If you are an active employee enrolled in the High Deductible Health Plan for FY18 and established an HSA with Discovery Benefits, the State will contribute to your Discovery Benefits account.

Q5. How much can I contribute to my HSA?

Contribution amounts are updated annually at the Federal level. Maximum contribution amounts from all sources are:

2018 calendar year:

- \$3,450 (single coverage)
- \$6,850 (family coverage)

Q6. Am I able to make “catch-up” contributions for my HSA?

Yes. For individuals age 55 or older, additional “catch-up” contributions of \$1,000 are allowed. Contributions must stop once an individual is enrolled in any type of Medicare.

Q7. For what types of medical services can I be reimbursed?

An HSA lets you set aside money for medical, dental, and vision expenses on a pretax basis. IRS Publication 502 has a checklist of expenses that can be itemized. Most of these expenses qualify for tax-free withdrawal from an HSA, unless the expenses were reimbursed by your health care coverage.

You may use your HSA to help fund your deductible. Using your HSA dollars toward your deductible is optional. You can choose to pay your deductible out-of-pocket and save your HSA money for future medical needs.

One expense that cannot be reimbursed from an HSA is the premium costs for most health care plans.

To order IRS Publication 502, call 1-800-TAX-FORM or you may view the list by visiting <https://www.irs.gov/pub/irs-pdf/p502.pdf>.

Q8. Can unused amounts in the Health Savings Account be carried over to the next year?

Yes. You may use your Health Savings Account for future eligible medical expenses, if you do not deplete your HSA during the plan year.

Q9. Are there tax advantages for using a Health Savings Account?

Yes. You get triple tax benefits with tax-free growth, tax-free withdrawals, and tax credits to pay for out-of-pocket health care expenses.

Q10. Can I take my Health Savings Account balance with me when I leave employment with the state?

Yes. You can take your account balance with you if you leave employment with the State.

Q11. Where can I find more information about HSAs?

You can contact Discovery Benefits at 866.451.3399, visit www.discoverybenefits.com or IRS link: <http://www.irs.gov/pub/irs-pdf/p969.pdf>.