Health Savings Accounts: Frequently Asked Questions

Q1. How do I set up an HSA?
Starting July 1, 2016, BHR is partnering with Discovery Benefits to administer HSAs for State employees. If you enrolled in the $1,800 Deductible Health Plan for FY17, you will receive information from us and Discovery Benefits on how to set up an account.

Things we want you to know:
- It will be a streamlined process to set up the HSA account.
- You will not have maintenance fees with the Discovery Benefit account.
- The State only will make employer contributions and pretax payroll contributions to Discovery Benefit accounts.

Q2. What should I do with the HSA account I already have?
You can transfer funds from your current account to Discovery Benefits without penalty; or you can keep two separate accounts.

If you want to transfer funds, you will receive instructions on how to do so when you receive information on setting up your new Discovery Benefits HSA.

You do not have to set up an account at Discovery Benefits, but you will not receive the FY17 employer contribution of $500 for single coverage or $1,000 for family coverage. The state will not make pretax payroll contributions to any other financial institution.

Q3. 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. An individual tax-exempt trust (savings/investments)

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

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, like the $1800 Deductible Health Plan, 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.

Q4. Who is eligible for a Health Savings Account?
Members enrolled in the $1,800 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.
- entitled to Medicare benefits (age 65 or older)
- have a spouse who is contributing to a medical savings/flexible savings account that is not limited

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.

Q5. Does the State contribute to my HSA?
Yes. If you are an active employee enrolled in the $1,800 Deductible Health Plan for FY17 and establish an HSA with Discovery Benefits, the State will contribute $500 for single coverage and $1,000 if you cover your spouse and/or children to your Discovery Benefits account.

The State will send eligibility information to Discovery Benefits in June. Once you have completed the enrollment process with Discovery Benefits, the State will deposit the contribution in your account.

Q6. How much can I contribute to my HSA?
Contribution amounts are indexed annually at the Federal level. Maximum contribution amounts from all sources are:

2016 calendar year:

- $3,350 (single coverage)
- $6,750 (family coverage)

2017 calendar year:

- $3,400 (single coverage)
- $6,750 (family coverage)

Q7. Am I able to make "catch-up" contributions to 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.

Q8. 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 for most health care plans.

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

Q9. 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.

Q10. 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.

Q11. 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.

Q12. 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.

Q13. What were the eligibility requirements for the April 2016, $800 one-time credit in an HSA?

- Must have been an active employee covered by the health plan on July 1, 2015.
- Employee and covered spouse completed all three wellness qualifications (Health Screening, online Health Assessment and earn 100 Latitude Wellness Program points) by March 31, 2016.
- Must have been an active employee covered by the health when the one-time credit was distributed in April 2016.

Q14. How do I get the April 2016 one-time credit?
If you were enrolled in the $1,800 Deductible Health Plan for FY16, earned the one-time credit but did not set up an HSA, the deadline to do so has passed.

If you were on the $1,800 Deductible Health Plan for FY16, earned the one-time credit and already had an HSA account set up, we deposited the one-time credit into your HSA account in April 2016.