What is a Health Savings Account?

Health Savings Accounts (HSAs)



What is a HSA?

A health savings account (HSA) is an account that can be used to pay medical expenses.

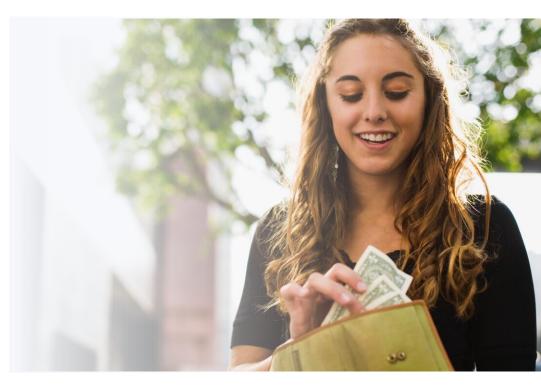
- Your HSA must be used in conjunction with a high deductible health plan (HDHP).
- You own your HSA account, both you and USA can contribute funds.
- Some tax-advantages to having an HSA: Contributions are pre-tax. Your funds accrue tax-free. You do not pay taxes when using funds for eligible medical expenses.





Benefits of an HSA

- Triple tax advantage means you save money on your health care expenses.
- Funds rollover each year, so you can use your HSA to save tax-free money for retirement.
- You own the account, even if you leave the company.





Who is eligible for an HSA

Anyone who is:

- Covered by a HDHP.
- Not enrolled in Medicare.
- Not covered under other health insurance.*
- Not another person's dependent.

*Medicare, Tricare, or have received VA benefits within three months





HSA Contribution Limits

- Each year, the IRS sets contribution limits.
 - These limits are for the total funds contributed, including company contributions, your contributions and any other contributions.
- 2025 limits:
 - \$4,300 for individual coverage.
 - \$8,550 for family coverage.





Catch-up Contributions

For individuals ages 55-plus, the IRS allows additional "catch-up contributions".

Eligible individuals may contribute an extra \$1,000 for the year.



HSA Distribution Rules

- Distributions from your HSA are tax-free if they are taken for "qualified medical expenses".
- Your HSA can only be used for expenses that are incurred on or after the date the HSA was established.
- However, HSA funds can be used for expenses from a prior year, if the expenses were incurred on or after the date the HSA was established.

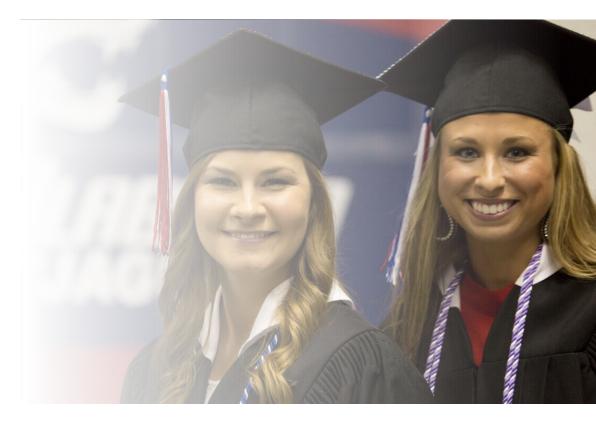




HSA Distribution Rules

HSA distributions can be taken for qualified medical expenses for the following people:

- The account holder (person covered by the HDHP.)
- Spouse of that individual (even if not covered by the HDHP.)
- Dependents of that individual (even if not covered by the HDHP.)
 - To use your HSA funds for your adult dependent child's health expenses, the adult child must be claimed as a tax dependent on your taxes.





Qualified Medical Expenses

- The IRS defines expenses that are considered "qualified medical expenses" for HSA distributions.
- Expenses must be primarily to treat or prevent a physical or mental defect or illness.
- If you use HSA funds for expenses beyond what the IRS defines as qualified, you will be subject to income tax on the distribution and an additional 20% penalty.





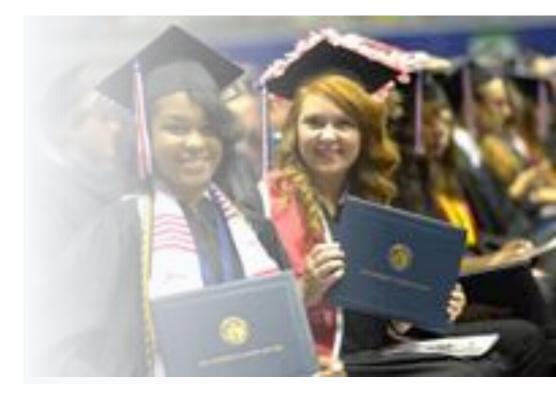
Qualified Medical Expenses

- Examples of qualified medical expenses include:
 - Most medical care that is subject to your deductible (coinsurance, doctor visits, inpatient or outpatient treatment, etc.)
 - Prescription drugs.
 - Dental and vision care.
 - COBRA, qualified long-term care insurance, health insurance premiums paid while receiving unemployment benefits.
- To see a complete list of eligible expenses go to <u>www.irs.gov/publications/p502</u>.



Ineligible Medical Expenses

- Expenses that are not considered "qualified medical expenses" include:
 - Insurance premiums (other than the exceptions listed on the previous slide.)
 - Surgery for cosmetic reasons.
 - Expenses covered by another insurance plan.
- For eligible expenses employees can visit IRS website at <u>https://www.irs.gov/publications/p502</u>





Recordkeeping

- Whenever you use HSA funds to pay for a medical expense, you should keep your receipt.
- You may need to demonstrate to the IRS that HSA distributions were for qualified medical expenses.
- If the IRS requests receipts for verification purposes, failure to provide those receipts could result in having to pay a penalty.





Questions?

• If you have additional questions, please contact HR.



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