Health Savings Account

All You Need To Know

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Key Inputs

To get the most out of your insurance - the highest amount of coverage at the lowest out-of-pocket price, your key inputs are:

- Premiums
- Coverage Amounts
- Your foreseeable out-of-pockets costs
- Any foreseeable out-of-pocket expenses

The goal is to pay the least amount in premium for the highest level of coverage you know you'll use - but just enough coverage to avoid financial ruin in the unlikely (but not entirely impossible) event that a medical disaster strikes.

We know that a packet of insurance information is not riveting reading. Dealing with such financial tasks may come up only once a year - but getting it right versus getting it almost right can mean the difference between thousands of extra dollars to invest versus thousands of extra dollars earmarked for medical care.

Health Savings Account

What is a Health Savings Account (HSA)?

A Health Savings Account (HSA) is a special tax-advantaged savings account similar to a traditional Individual Retirement Account (IRA) but designated for medical expenses. An HSA allows you to pay for current eligible health care expenses and save for future qualified medical and retiree health care expenses on a tax-favored basis.

HSAs provide triple-tax advantages: contributions, investment earnings, and qualified distributions all are exempt from federal income tax, FICA (Social Security and Medicare) tax and state income taxes (for most states but not California).

Unused HSA dollars roll over from year to year, making HSAs a convenient and easy way to save and invest for future medical expenses. You own your HSA at all times and can take it with you when you change medical plans, change jobs or retire.

Funds in the account not needed for near-term expenses may be able to be invested, providing the opportunity for funds to grow. Investment options include money market accounts, mutual funds, etc. Check with your bank to find out your options.

To be eligible to set up an HSA and to make contributions, you must be covered by a qualified "high-deductible health plan", or HDHP.

How does an HSA work?

1. To be eligible to contribute to an HSA, you must be covered by a qualified high-deductible health plan (HDHP) and have no other first dollar coverage (insurance that provides payment for the full loss up to the insured amount with no deductibles).

2. You may use your HSA to help pay for medical expenses covered under a high-deductible health plan, as well as for other common qualified medical expenses.

3. Unused HSA funds remain in your account for later, and may be able to be invested in a choice of investment options, providing the opportunity for funds to grow. Check with you financial institution to see if this is an option for your account.

HSAs work in conjunction with an HDHP. All the money you (or your employer) deposit into your HSA up to the maximum annual contribution limit is 100% tax-deductible from federal income tax, FICA (Social Security and Medicare) tax, and in most states, state income tax. This makes HSA dollars tax-free.

You can use these tax-free dollars to pay for expenses not covered under your HDHP until you have met your deductible.

The insurance company pays covered medical expenses above your deductible, except for any coinsurance; you can pay coinsurance costs with tax-free money from your HSA. In addition, you can use your HSA tax-free dollars to pay for qualified medical expenses not covered by the HDHP, such as dental, vision and alternative medicines.

If the funds in your account are used for other, nonmedical expenses, your dollars are subject to ordinary tax, plus a 20% penalty if you are under age 65.

The 20% penalty does not apply if the distribution occurs after you reach age 65, become disabled or die; however ordinary income tax may still apply. Funds remaining in your account at year-end are yours to rollover and accumulate for your future healthcare expenses. You may choose not to spend your HSA dollars on small expenses, instead using after-tax dollars to pay for these expenses, and leaving your HSA dollars to grow for future needs.

Who is eligible to open an HSA?

If you meet all the criteria listed below, you are eligible to open and contribute to an HSA. The Medicare Act of 2003, which established HSAs, defines "eligible individuals" as those who:

1. are covered by a qualified high-deductible health plan (HDHP);
2. are not covered by another health care plan, such as a health plan sponsored by your spouse’s employer, Medicare or TriCare; and
3. cannot be claimed as a dependent on another individual's tax return.

You may still open and contribute to an HSA if you have certain limited coverage approved by the IRS, such as dental, vision and long-term care insurance. And you are still eligible to establish an HSA if you are entitled to benefits under an Employee

Assistance Plan (EAP), disease management or wellness program or have a discount card for prescriptions.

Who is eligible to contribute to an HSA?

After you open your HSA, making contributions helps you build a balance to assist with current and future health care expenses. Anyone, including your employer or family members, may contribute to your HSA. You can make contributions by payroll deduction (if available) or by after-tax contributions.

Payroll deductions: If your employer offers the option, you may specify a regular contribution to be deducted from your paycheck. This contribution will be made before Social Security, federal, and most state income taxes are deducted.

After-tax contributions: You may choose to make all or part of your annual account contributions to your HSA by making “after-tax” contributions to your account. These contributions may be deducted on your income tax return, using IRS Form 1040 and Form 8889.

Employers may make contributions to your account as well; while you do not take a deduction for these contributions, they are excluded from your gross income.

Note: You will use IRS Form 1040 for your HSA contributions, not the short form 1040A or 1040EZ. This deduction is taken “above the line”: you do not need to itemize contributions on Schedule A in order to claim the deduction for HSA contributions.

You are eligible to make contributions to your HSA as long as you meet the definition of an “eligible individual” as listed in the question, “Who is eligible to open an HSA?”

If you no longer participate in a high-deductible health plan or enroll in Medicare, you can no longer contribute new funds to your HSA account.

What is the value of an HSA?

First, consider the following: unless you have a significant, catastrophic-type medical claim, it is unlikely that you will recoup the amount of money you pay in employee contributions for traditional plans (such as a PPO) or even Health Reimbursement Accounts (HRAs).

For example, assume you contribute $550 a month for family coverage, which amounts to $6,600 per year (12 x $550). We'll come back to this figure.

Now, if your family has three doctor visits during the year at $200 each ($600 total), plus four prescriptions at an average of $75 ($300 total), that's a total of covered expenses for the year of $900. Assuming the co-payments for each of the three doctor visits was $20 (3 x $20 = $60) and each of the four prescriptions was $30 (4 x $30 = $120), you will pay $180 out of pocket, taxed.

Now let's look at the whole picture. Your insurance paid for $720 of your $900 in costs. You paid $180 — taxed — along with $6,600 in contributions.

Compare the numbers of your available plans. The HDHP usually offers lower premiums in exchange for the higher deductible, including the same coverage for significant health expenses as with the more expensive traditional plans. You pay for costs below the deductible with tax-free dollars and employer contributions, if offered, and keep and grow the funds you don't use each year.

Why establish an HSA? What are the advantages?

First, consider the following: unless you have a significant, catastrophic-type medical claim, it is unlikely that you will recoup the amount of money you pay in employee contributions for traditional plans (such as a PPO) or even Health Reimbursement Accounts (HRAs).

Yes, you can have both an HSA and an IRA.

Tax-advantaged:

1. Contributions you may make through payroll deposits are made with pretax dollars, meaning they are not subject to federal (or state, for most states) income taxes.
2. Contributions to your HSA made with after-tax dollars can be deducted from your gross income, meaning you pay less income tax at the end of the year.
3. The interest you earn on your HSA balance is not taxed.
4. Withdrawals from your HSA for qualified medical expenses are not subject to federal income tax. As long as you use your HSA funds for qualified medical expenses, you will not have to pay federal (or state, for most states) income taxes.
5. Employers may make contributions to your account; these contributions are excluded from your gross income.

Flexible: The money is yours; it grows and remains with you, even when you change medical plans, change employers or retire. There are no "use it or lose it" rules. Even if you are no longer eligible to make contributions, funds in your account may still be used to pay for qualified medical expenses tax-free. And after age 65, or in cases of disability, the funds in the account can be used for nonqualified expenses.

Portable: Accounts move with you when you change medical plans, change employers or retire.

Savings mechanism for future health needs: Unused funds can grow through interest and investment earnings and can be "banked" for future medical expenses.

Contributions can come from multiple sources: As long as you are covered by a qualified HDHP, you, your employer, family members, or anyone else may contribute to your HSA up to the maximum annual contribution limit.

What is a High-Deductible Health Plan (HDHP)?

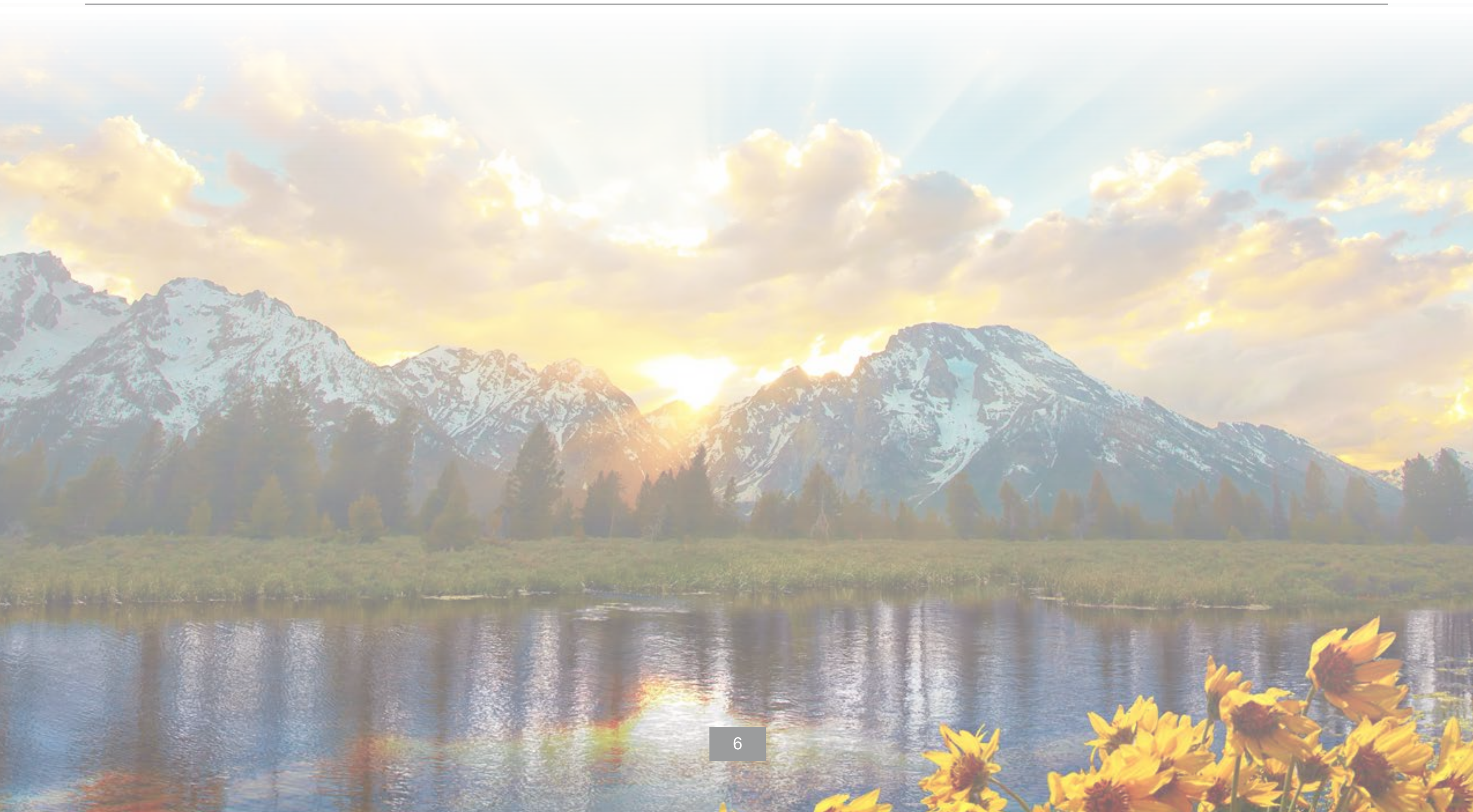
With a high-deductible health plan, you have the security of comprehensive health care coverage. Like a traditional plan, you are responsible for paying for your qualified medical expenses up to the in-network deductible; however, the deductible will be higher, and you can use HSA funds to pay for these expenses.

After the annual deductible is met, you are responsible only for a portion of your medical expenses through coinsurance or co-payments, just as with a traditional health plan.

A comparison of the 2023 and 2022 limits is shown below:

Contribution and Out-of-Pocket Limits for Health Savings Accounts and High-Deductible Health Plans			
	For 2023	For 2022	Change
HSA contribution limit (employer + employee)	Individual: $3,850 Family: $7,750	Individual: $3,650 Family: $7,300	Individual: $200 Family: $450
HSA catch-up contributions (age 55 or older)*	$1,000	$1,000	No change**
HDHP minimum deductibles	Individual: $1,500 Family: $3,000	Individual: $1,400 Family: $2,800	Individual: $100 Family: $200
HDHP maximum out-of-pocket amounts (deductibles, co-payments and other amounts, but not premiums)	Individual: $7,500 Family: $15,000	Individual: $7,050 Family: $14,100	Individual: $450 Family: $900

* Catch-up contributions can be made any time during the year in which the HSA participant turns 55.
** Unlike other limits, the HSA catch-up contribution amount is not indexed; any increase would require statutory change.



How do I know if my plan is a "QUALIFYING (OR QUALIFIED)" High-Deductible Health Plan (HDHP)?

The health insurer or your employer can verify the status of your coverage. In addition, the words "qualifying (or qualified) high-deductible health plan" or a reference to IRC (Internal Revenue Code) Section 223 will be included in the declaration page of your policy or in another official communication from the insurance company.

To be a qualified plan the deductible cannot be below the annually declared minimum and out-of-pocket maximums cannot exceed the maximum as outlined below:

1. The minimum annual deductible cannot be less than $1,500 for individual coverage or $3,000 for family coverage in 2023;
2. A deductible greater than the minimum is permitted in a qualified plan, but the maximum contribution cannot be more than $3,850 for individual coverage OR $7,750 for family coverage in 2023;
3. The maximum out-of-pocket expenses are capped at $7,500 for individual coverage and $15,000 for family coverage in 2023; and
4. Deductibles and out-of-pocket maximums are adjusted annually for inflation by the IRS and US Department of Treasury.

A qualified HDHP with family coverage may have deductibles for both the family as a whole (an umbrella deductible) and for individual family members (embedded deductibles). If either the deductible for the family (umbrella) or the deductible for an individual (embedded) is below the minimum annual deductible for family coverage ($3,000) for 2023, the plan is not a qualified HDHP.

How do HSAs differ from Health Care Flexible Spending Accounts (FSAs)?

Both HSAs and FSAs allow you to pay for qualified medical expenses with pre-tax dollars. One key difference, however, is that HSA balances can roll over from year to year, while FSA money left unspent at the end of the year or after a designated grace period is forfeited. You may choose to use a Limited Purpose FSA to pay for eligible heath care expenses and save your HSA dollars for future health care needs. You may use Limited Purpose FSA dollars to reimburse yourself for expenses not covered by your high-deductible health plan, such as:

1. Vision expenses, including: glasses, frames, contacts, prescription sunglasses, goggles, vision co-payments, optometrists or ophthalmologist fees, and corrective eye surgery.
2. Dental expenses, including: dental care, deductibles and co-payments, braces, x-rays, fillings, and dentures.

How is an HSA different from a savings account?

The funds in a regular savings account do not have the tax advantages of an HSA. And, funds from an HSA can only be used for qualified medical expenses.

Can my spouse and I have a joint HSA, like our regular checking account?

No, only one person can be named the account owner. If both you and your spouse have qualified HDHP coverage, you must each have your own account.

If both you and your spouse have family coverage under qualified high-deductible health plans, the maximum total tax-deductible HSA contribution both of you can make (including employer contributions) is the IRS limit for family coverage. In 2023, that amount is $7,750. This contribution can be divided between you and your spouse however you wish. If you and/or your spouse are eligible to make catch-up contributions, you may each contribute your eligible catch-up contribution to your individual HSA.

Why is my employer offering an HSA in conjunction with a qualified HDHP?

Offering an HSA is an excellent way to help you save for future medical expenses and pay for current expenses with tremendous tax advantages.

May I have more than one HSA?

Yes, you may have more than one HSA and you may contribute to them all, as long as you are currently enrolled in an HDHP. However, this does not give you any additional tax advantages, as the total contributions to your accounts cannot exceed the annual maximum contribution limit. Contributions from your employer, family members, or any other person must be included in the total.

Eligibility and Enrollment

Can I have an HSA in addition to an IRA or other qualified retirement plan?

Yes, you can have both an HSA and an IRA.

Although HSAs operate under many of the same rules that apply to traditional IRAs, an HSA is not an IRA; it is a tax-advantaged savings account for current and future medical expenses. (However, it may be used to pay for nonmedical expenses without penalty after the accountholder turns 65, so it can be used to save for retirement.)

My spouse's employer offers low-deductible family coverage at no cost. I am covered under my spouse's plan. If I enroll in my employer's qualified HDHP, am I eligible for an HSA?

No. Even though you are covered by an HDHP, since you are also covered by a low-deductible plan too, you are not eligible for an HSA. Only those individuals covered by an HDHP only can contribute to an HSA.

Contributions

Can I contribute stock to my HSA?

No. Only cash may be contributed to your HSA. You may be able to set up an HSA investment account with investment options, such as mutual funds or securities, which you may purchase with your HSA funds. Check with your bank to see if this is an option.

Does how much I contribute to my IRA limit how much I can contribute to my HSA?

No. Your contributions to your HSA are limited to a maximum annual contribution adjusted each year by the IRS. Your contributions to an IRA have no bearing on your HSA and vice versa.

Distributions

Can I pay out-of-pocket eligible expenses with after-tax dollars instead of using my HSA?

Yes. You always have the option to choose when and when not to use your HSA dollars. You may pay for qualified medical expenses with after-tax dollars, allowing your HSA balance to grow tax-free.

Many HSA participants elect to pay smaller expenses with after-tax dollars, allowing their balances to grow for the future.

What health care expenses does my HSA cover?

Your HSA funds can be used tax-free to pay for out-of-pocket qualified medical expenses, even if the expenses are not covered by your HDHP. This includes expenses incurred by your family.

There are hundreds of qualified medical expenses, including many you might not expect: over-the-counter medications; dental visits; orthodontics; glasses; long-term care insurance premiums; cost of COBRA coverage; medical insurance premiums while receiving federal or state unemployment compensation and post age-65 premiums for coverage other than Medigap or Medicare supplemental plans.

In addition, HSA funds may be used to pay your Medicare Parts A and B premiums and for employer-sponsored retiree plans.

All of these expenses may be paid for with your HSA funds, free from federal taxes or state tax (for most states). Refer to IRS Publication 502 for a more complete list of qualified medical expenses.

Manage Your HSA

What happens to my HSA if I become disabled?

If you become disabled and enroll in Medicare, contributions to your HSA must stop as of the first of the month in which you become enrolled. You may use your HSA funds to pay Medicare Part A and/or B premiums. Payment of these Medicare premiums is a qualified expense and a tax free distribution. Distributions from your HSA used for non-qualified expenses will be subject to ordinary income tax but exempt from the 20% penalty.

What happens to my HSA if I quit my job or otherwise leave my employer?

Your HSA is portable. This means that you can take your HSA with you when you leave and continue to use the funds you have accumulated. Funds left in your account continue to grow tax-free. If you are covered by a qualified HDHP you can even continue to make tax-free contributions to your HSA.

Distributions from your HSA used exclusively to pay for qualified expenses for you, your spouse, or dependents are excluded from your gross income. Your HSA funds can be used for qualified expenses even if you are not currently eligible to make contributions to your HSA.

No Longer a Member

I no longer participate in a qualified HDHP. Can I still receive tax-free distributions to reimburse my qualified expenses or those of my family?

Yes. Participation in a qualified HDHP is not required to receive distributions. In order to maintain the tax-free status of the distribution, funds must be used for qualified medical expenses.

How are distributions from my HSA taxed after I am no longer eligible to contribute?

If you are no longer eligible to contribute because you are enrolled in Medicare benefits, or are no longer covered by a qualified HDHP, distributions used exclusively to pay for qualified medical expenses continue to be free from federal taxes and state tax (for most states) and excluded from your gross income.

Reaching Age 65

What happens to the money in my HSA after I reach age 65?

At age 65 and older, your funds continue to be available without federal taxes or state tax (for most states) for qualified medical expenses; for instance, you may use your HSA to pay certain insurance premiums, such as Medicare or COBRA premiums, or your share of retiree medical coverage offered by a former employer. Funds cannot be used tax-free to purchase Medigap or Medicare supplemental policies.

You lose eligibility as of first day of the month you turn 65 and enroll in Medicare.

If you use your funds for qualified medical expenses, the distributions from your account remain tax-free. If you use the monies for non-qualified expenses, the distribution becomes taxable, but exempt from the 20% penalty. **With enrollment in Medicare, you are no longer eligible to contribute to your HSA. If you reach age 65 or become disabled, you may still contribute to your HSA if you have not enrolled in Medicare.**

Stopping Medicare to Reclaim HSA Eligibility

If you signed up for Medicare Part A and now want to decline it, you can do so by contacting the Social Security Administration. Assuming you have not begun receiving Social Security checks this will reestablish your eligibility for an HSA.

If you applied for or begun receiving Social Security, you cannot opt out of Medicare Part A without paying the government back all the money you received from Social Security payments plus paying the government back for any money Medicare spent on your medical claims. This action will also stop future Social Security payments (until you reapply and start this cycle over again).

Spouse Under Age 65

If your spouse is under age 65 that may provide an avenue for continued HSA contributions. An employer however, cannot make HSA contributions into the HSA of an employee's spouse.

Example: Dick and Mary are covered under a family HDHP provide through Dick's employer. Dick reaches age 65 in July and enrolls in Medicare. Dick's employer makes HSA contributions and allows Dick to make to pre-tax payroll deferrals as well. Dick's employer continues to provide family HDHP coverage for both Dick and Mary.

Mary, age 58, can open an HSA and contribute the family maximum (plus the catch-up as she is over age 55) because she remains covered by a family HDHP and is otherwise eligible. Mary can use her HSA for Dick's medical expenses. Mary cannot put HSA contribution into Dick's HSA and will have to open her own HSA. Dick's employer will stop HSA employer contributions and cannot allow Dick to defer pay pre-tax into Mary's HSA.

Death

What happens to my HSA when I die?

Your HSA is an inheritable account. What happens to your HSA when you die depends who you named as your beneficiary.

Spouse designated beneficiary

If your spouse is your designated beneficiary, the account will be treated as your spouse's HSA after your death. The account will continue to be tax-free for qualified medical distributions. If your spouse is covered by a qualified HDHP, contributions to the account may also be made tax-free, up to maximum annual contribution limits.

Other than Spouse designated beneficiary.

If you designate someone other than your spouse as the beneficiary of your HSA:

1. The account stops being an HSA on the date of your death;
2. The fair market value of the HSA becomes taxable to the beneficiary in the year in which you die (without penalties); and
3. The amount taxable to a beneficiary (other than your estate) is reduced by any qualified medical expenses you incurred prior to your death that are paid from the HSA by the beneficiary within one year after the date of death.

Your estate is the beneficiary

If your estate is the beneficiary of your HSA, the value of your account is included on your final income tax return.

NO designated beneficiary on file

If you do not have a beneficiary on file, the funds are payable to the account holder’s estate.

Tax Considerations

What does pre-tax mean?

When you participate in a payroll deduction program through your employer, deductions can be taken from your payroll before calculating your taxable federal income, FICA (Social Security and Medicare) tax and for most states, taxable state income. By taking deductions pre-tax, you reduce the dollars on which you are taxed and, as a result, reduce your total tax bill.

What is an “ABOVE THE LINE” tax deduction?

Above the line means you will reduce your taxable income regardless of whether you itemize or use the standard deduction on your income tax form. If you contribute to your HSA with after-tax dollars, you may deduct the contribution amount, subject to the maximum annual contribution limits from your taxes at filing time.

Is there a limit on how much I may contribute to my HSA and deduct from my taxes each year?

For 2023, the combined maximum contributions to your HSA, including any made by your employer to your account, are $3,850 if you have individual coverage and $7,750 if you have family coverage. If you turn age 55 or older in 2023, you may add up to $1,000 more as a “catch up” contribution.

These amounts are valid as long as you enroll in qualified HDHP coverage before the first day of December, meaning you have held at least one full month of HDHP coverage, and so long as you continue to maintain qualified HDHP coverage for the next 12 months. Otherwise, you may be eligible to contribute a prorated amount to your HSA account.

The IRS determines these maximum contribution limits annually.

If I close my HSA, are there any tax penalties?

There are no tax penalties for closing an HSA. However, if you use HSA funds for other than qualified medical expenses, those distributions will be subject to ordinary income tax, and in some cases, a 20% penalty.

When will the 20% penalty be assessed for a distribution for non-qualified expenses?

The 20% penalty will be assessed for the year in which you take the distribution for non-qualified expenses. The penalty will be due and payable when you file your annual tax return.

How are distributions from my HSA taxed?

Distributions from your HSA used exclusively to pay for qualified medical expenses for you, your spouse, or dependents are excluded from your gross income. Your HSA funds can be used for qualified expenses and will continue to be free from federal taxes and states taxes (for most states) even if you are not currently eligible to make contributions to your HSA.

If you take a non-qualified distribution, you are subject to ordinary income tax and a 20% penalty tax. If you are age 65 or older, disabled, or for the year in which you die, the 20% penalty may not apply.

How are distributions from my HSA taxed after I am no longer eligible to contribute?

If you are no longer eligible to contribute because you are enrolled in Medicare benefits, or are no longer covered by a qualified HDHP, distributions used exclusively to pay for qualified medical expenses continue to be free from federal taxes and state taxes (for most states) and excluded from your gross income.

What tax forms will I receive to include with my annual tax filings?

Form 1099-SA notifies the IRS of distributions made from your HSA during the tax year. Form 5498-SA notifies the IRS of contributions made to your HSA during the tax year. The institution holding your account will send the appropriate year-end form(s) to you with instructions regarding the forms' use and requirements for filing your annual tax return.

What about taxes on the money in my HSA not used for medical expenses?

All of the dollars in your HSA, including earnings generated on those dollars, are completely free of federal taxes and state taxes (for most states) while in your account.

The only time tax is ever owed on principal or interest from your HSA is if the money is distributed for nonqualified expenses prior to your reaching age 65, becoming disabled or dying. Even if you use the funds for nonqualified expenses after you are 65 or disabled, you will only be subject to tax on the money you withdraw without the 20% penalty. You can always withdraw funds to pay for qualified medical expenses at any time without tax or penalty.

How is my HSA taxed?

Contributions, investment earnings, and distributions for qualified medical expenses all are exempt from federal income tax, FICA (Social Security and Medicare) tax and state income taxes (for most states) or penalty. State taxes may still apply in CA and NJ. For detailed tax implications of an HSA, please contact your professional tax advisor.

What is the tax treatment of contributions made by a family member or anyone else to my HSA?

If a family member or anyone else makes a contribution to your HSA, the tax advantages apply to you and not the person making the contribution. You may deduct the contribution amount when filing your annual income taxes, in the same way you would if you had deposited the post-tax contribution on your own. All contributions to the account are combined and subject to maximum annual contribution limits.

Rollovers/Transfers, FSAs & HRAs

Can I roll over or transfer funds from my HSA or Medical Savings Account (or Archer MSA) into an HSA?

Yes. Pre-existing HSA funds or MSA monies may be rolled into an HSA and will continue their tax-free status.

Can I roll over or transfer funds from my HSA to my IRA?

No. You can only roll your HSA funds into another HSA. However, the government does allow a one-time transfer of funds from an IRA to an HSA. The transferred amount, when combined with other HSA contributions for the year, may not exceed your annual maximum contribution.

Also, after making such a transfer, you must continue to participate in a qualifying high-deductible health plan for 13 consecutive months, beginning in the month of the IRA-to HSA transfer. If you do not, you will be subject to income taxes and a 20% penalty tax on the transferred amount, except in the case of death or disability.

Such a transfer may be an option if you incur significant medical expenses and find yourself unable to afford to make the maximum HSA contribution.

Can I roll over or transfer funds from my IRA to my HSA?

Yes. The government does allow a one-time transfer of funds from an IRA to an HSA. The transferred amount, when combined with other HSA contributions for the year, may not exceed your annual maximum contribution.

Also, after making such a transfer, you must continue to participate in a qualifying high-deductible health plan for 13 consecutive months, beginning in the month of the IRA-to-HSA transfer. If you do not, you will be subject to income taxes and a 20% penalty tax on the transferred amount, except in the case of death or disability.

Such a transfer may be an option if you incur significant medical expenses and find yourself unable to afford to make the maximum HSA contribution.

Can I have an HSA and an HRA and/or FSA?

Yes, provided that the HRA and/or FSA do not pay first dollar for any benefit that is covered by the HDHP. In addition, there are specific rules for how these may be combined; speak with your Benefits Department or check the IRS web site for complete information.

What is the difference between health care flexible spending accounts (FSAs) and HSAs?

Both HSAs and FSAs allow you to pay for qualified medical expenses with pre-tax dollars. One key difference, however, is that HSA balances can roll over from year to year, while FSA money left unspent at the end of the year is forfeited. If you have both an HSA and an FSA, you must pay certain expenses, such as those that apply to the HDHP deductible, out of your HSA before you may use your limited-purpose FSA.

Comparison of HSA & FSA Options

Plan Features	Health Savings Account (HSA)	Traditional Flexible Spending Account (FSA) *For those NOT enrolled in an HSA*	"Limited" Flexible Spending Account *For those enrolled in an HSA*
Overview	A tax-advantaged savings account, available to all eligible taxpayers covered under a qualified High Deductible Health Plan (HDHP). The HSA allows pre-tax payment of qualified medical expenses as determined by the US Department of the Treasury.	A tax-advantaged account allows employees to pay for qualified medical, dental and vision expenses as established by an employer's cafeteria plan (Section 125).	A tax-advantaged account that allows employees to pay only for qualified dental and vision expenses as established by an employer's cafeteria plan (Section 125)
Ownership	Employee	Employer	Employer
Earns Interest	Yes, account earnings accumulate tax free.	No	No
Account Portability	Yes. The employee owns the account. Upon termination of employment, the account can remain with the current custodian (bank) or can be transferred to another custodian.	Balances forfeited at termination, although COBRA extensions sometimes apply.	Balances forfeited at termination, although COBRA extensions sometimes apply.
Eligibility	Eligible employee or retiree who meets their employer's eligibility criteria for health plan participation. They must be covered by a qualified high deductible health plan (HDHP) and otherwise eligible to contribute to a HSA. (See definition of health insurance requirements below.)	Employee who meets employer's eligibility criteria for health plan participation.	Employee who meets employer's eligibility criteria for health plan participation. It is available for only those employees who are covered under an HDHP and have established an HSA.
Health Insurance Requirements	The deductible must be satisfied before any benefits are payable under the insurance plan. Other coverage: Employees cannot be covered by any insurance plan (including Medicare or a spouse's traditional Flex plan) that would pay before the single coverage or family coverage deductible is met. Special rule. Employee must not be claimed as a dependent on another person's tax return.	No health insurance plan design requirements.	No health insurance plan design requirements.
Contributions	Funded by employer, the account owner, or both on a pre-tax basis. Contributions only allowed if the employees maintains coverage in a HDHP. Employer contributions and voluntary payroll contributions are pre-tax. Voluntary direct contributions are tax deductible	Funded by employee contributions on a pre-tax basis.	Funded by employee contributions on a pre-tax basis.
Annual Contribution Limits	Limits* Single coverage - $3,850 Family coverage - $7,750 For employees age 55 and older, a $1,000 (catch up contribution) is permitted in addition to the amounts shown above.	$3,050 annual limit	Subject to the employer's decision but no higher than $3,050.
Maximum Out-of-Pocket	$7,500 for singles $15,000 for families	No Requirement	No Requirement

Plan Features	Health Savings Account (HSA)	Traditional Flexible Spending Account (FSA) *For those NOT enrolled in an HSA*	"Limited" Flexible Spending Account *For those enrolled in an HSA*
Allowable Medical Expense Distribution	An HSA may reimburse qualified medical, dental and vision expenses incurred by you, the account owner, your legal spouse and your qualified dependent children. Money must be in the HSA before those dollars can be used. Expenses must be incurred on or after the date a HSA is established. Qualified medical expenses are defined by IRS Publication 502. In addition, the following insurance premiums may be reimbursed from a HSA, including COBRA premiums, health insurance premiums while receiving unemployment benefits, qualified long term care premiums (subject to age limits), and certain health insurance premiums including retiree coverage premiums if covered under employer's plan. Medicare supplemental policy premiums are not allowed.	The entire annual contribution elected during open enrollment can be used anytime during the year. Most non-reimbursed medical expenses can be reimbursed (as defined by IRS Publication 502).	The entire annual contribution elected during open enrollment can be used anytime during the year. Only non-reimbursed dental and vision expenses can be reimbursed (as defined by IRS Publication 502). Ineligible expenses include medical expenses other than dental expenses, vision expenses and procedures like elective cosmetic surgery.
Allowable Non-Medical withdrawals	Permitted, however withdrawals are subject to income tax. For those under age 65, a 20% tax penalty also applies.	None permitted	None permitted
Carryover and unused funds	Balances remaining at year end may be carried forward.	None allowed. Balances remaining at year end are forfeited.	None allowed. Balances remaining at year end are forfeited.

*Deductible and out-of-pocket maximums are revised annually by the US Department of the Treasury.

Preventive Services Covered Under the Affordable Care Act

15 Covered Preventive Services for Adults

1. **Abdominal Aortic Aneurysm** one-time screening for men of specified ages who have ever smoked
2. **Alcohol Misuse** screening and counseling
3. **Aspirin** use for men and women of certain ages
4. **Blood Pressure** screening for all adults
5. **Cholesterol** screening for adults of certain ages or at higher risk
6. **Colorectal Cancer** screening for adults over 50
7. **Depression** screening for adults
8. **Type 2 Diabetes** screening for adults with high blood pressure
9. **Diet** counseling for adults at higher risk for chronic disease
10. **HIV** screening for all adults at higher risk
11. **Immunization** vaccines for adults--doses, recommended ages, and recommended populations vary: Hepatitis A
    - Hepatitis B
    - Herpes Zoster
    - Human Papillomavirus
    - Influenza (Flu Shot)
    - Meningococca
    - Pneumococca
    - Tetanus, Diphtheria, Pertussis
    - Varicella

    Learn more about immunizations and see the latest vaccine schedules.

12. **Obesity** screening and counseling for all adults
13. **Sexually Transmitted Infection (STI)** prevention counseling for adults at higher risk
14. **Tobacco Use** screening for all adults and cessation interventions for tobacco users
15. **Syphilis** screening for all adults at higher risk

22 Covered Preventive Services for Women, Including Pregnant Women

The eight new prevention-related health services marked with an asterisk (*) must be covered with no cost-sharing in plan years starting on or after August 1, 2012.

1. **Anemia** screening on a routine basis for pregnant women
2. **Bacteriuria** urinary tract or other infection screening for pregnant women
3. **BRCA** counseling about genetic testing for women at higher risk
4. **Breast Cancer Mammography** screenings every 1 to 2 years for women over 40
5. **Breast Cancer Chemoprevention** counseling for women at higher risk
6. **Breastfeeding** comprehensive support and counseling from trained providers, as well as access to breastfeeding supplies, for pregnant and nursing women*
7. **Cervical Cancer** screening for sexually active women
8. **Chlamydia Infection** screening for younger women and other women at higher risk
9. **Contraception:** Food and Drug Administration-approved contraceptive methods, sterilization procedures, and patient education and counseling, not including abortifacient drugs*
10. **Domestic and interpersonal violence** screening and counseling for all women*
11. **Folic Acid** supplements for women who may become pregnant
12. **Gestational diabetes** screening for women 24 to 28 weeks pregnant and those at high risk of developing gestational diabetes*
13. **Gonorrhea** screening for all women at higher risk
14. **Hepatitis B** screening for pregnant women at their first prenatal visit
15. **Human Immunodeficiency Virus (HIV)** screening and counseling for sexually active women*
16. **Human Papillomavirus (HPV) DNA Test:** high risk HPV DNA testing every three years for women with normal cytology results who are 30 or older*
17. **Osteoporosis** screening for women over age 60 depending on risk factors
18. **Rh Incompatibility** screening for all pregnant women and follow-up testing for women at higher risk
19. **Tobacco Use** screening and interventions for all women, and expanded counseling for pregnant tobacco users
20. **Sexually Transmitted Infections (STI)** counseling for sexually active women*
21. **Syphilis** screening for all pregnant women or other women at increased risk
22. **Well-woman visits** to obtain recommended preventive services*

26 Covered Preventive Services for Children

1. **Alcohol and Drug Use** assessments for adolescents
2. **Autism** screening for children at 18 and 24 months
3. **Behavioral** assessments for children of all ages

   Ages: **0 to 11 months**, **1 to 4 years**, **5 to 10 years**, **11 to 14 years**, **15 to 17 years**.
4. **Blood Pressure** screening for children

   Ages: **0 to 11 months**, **1 to 4 years**, **5 to 10 years**, **11 to 14 years**, **15 to 17 years**.
5. **Cervical Dysplasia** screening for sexually active females
6. **Congenital Hypothyroidism** screening for newborns
7. **Depression** screening for adolescents
8. **Developmental** screening for children under age 3, and surveillance throughout childhood
9. **Dyslipidemia** screening for children at higher risk of lipid disorders

   Ages: **1 to 4 years**, **5 to 10 years**, **11 to 14 years**, and **15 to 17 years**.
10. **Fluoride Chemoprevention** supplements for children without fluoride in their water source
11. **Gonorrhea** preventive medication for the eyes of all newborns
12. **Hearing** screening for all newborns
13. **Height, Weight and Body Mass Index** measurements for children

    Ages: **0 to 11 months**, **1 to 4 years**, **5 to 10 years**, **11 to 14 years**, **15 to 17 years**.
14. **Hematocrit or Hemoglobin** screening for children
15. **Hemoglobinopathies** or sickle cell screening for newborns
16. **HIV** screening for adolescents at higher risk
17. **Immunization** vaccines for children from birth to age 18 — doses, recommended ages, and recommended populations vary:

- Diphtheria, Tetanus, Pertussis
- Haemophilus influenzae type b
- Hepatitis A
- Hepatitis B
- Human Papillomavirus
- Inactivated Poliovirus
- Influenza (Flu Shot)
- Measles, Mumps, Rubella
- Meningococcal

- Pneumococcal
- Rotavirus
- Varicella

Learn more about immunizations and see the latest vaccine schedules.

18. **Iron** supplement**s** for children ages 6 to 12 months at risk for anemia
19. **Lead** screening for children at risk of exposure
20. **Medical History** for all children throughout development
    Ages: **0 to 11 months**, **1 to 4 years, 5 to 10 years, 11 to 14 years**, **15 to 17 years**.
21. **Obesity** screening and counseling
22. **Oral Health** risk assessment for young children
    Ages: **0 to 11 months**, **1 to 4 years, 5 to 10 years**.
23. **Phenylketonuria (PKU)** screening for this genetic disorder in newborns
24. **Sexually Transmitted Infection (STI)** prevention counseling and screening for adolescents at higher risk
25. **Tuberculin** testing for children at higher risk of tuberculosis
    Ages: **0 to 11 months**, **1 to 4 years, 5 to 10 years, 11 to 14 years**, **15 to 17 years**.
26. **Vision** screening for all children

Notes

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