2019 HSA Quick Reference

Health Savings Accounts

A Health Savings Account (HSA) is an account that you can put money into to save for future medical expenses. There are certain advantages to putting money into these accounts, including favorable tax treatment. HSAs have been available since 2004.

Advantages of HSAs

Security – Your high deductible insurance and HSA protect you against high or unexpected medical bills.

Affordability – You should be able to lower your health insurance premiums by switching to a higher deductible plan.

Flexibility – You can use the funds in your account to pay for current medical expenses, including expenses that your insurance may not cover, or save the money in your account 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 account for future medical expenses and grow your account through investment earnings.

Control – You make all the decisions about:
- How much money to put into the account
- Whether to save the account for future expenses or pay current medical expenses
- Which medical expenses to pay from the account
- Which company will hold the account
- 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; and,
(3) tax-free withdrawals for qualified medical expenses

Opening Your Health Savings Account

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

Who Can Have an HSA

Any adult can contribute to an HSA if they:
- Have an HSA-qualified health plan.
- Have no other first-dollar medical coverage (other insurance like specific disease insurance or accident, disability, dental, vision, or long-term care insurance is permitted).
- Are not enrolled in Medicare, Medicaid or Tricare.
- Cannot be claimed as a dependent on anyone’s tax return.

Individuals receiving care (other than preventive, dental, or vision) from VA or Indian Health Service facilities lose three month’s eligibility (does not apply to veterans with a service-connected disability).

Contributions to your HSA can be made by you, your employer, or anyone. 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 and most state income tax returns.

Contributions to the account must end once you are enrolled in Medicare. However, you can continue to use the money in your account to pay for future medical expenses tax-free.

HSA-Qualified Health Plans

For 2019, you must have coverage under an HSA-qualified health plan to open and contribute to an HSA. Generally, this is health insurance that does not cover first dollar medical expenses. Federal law requires that the health insurance deductible for HSA-qualified plans be at least:

$1,350 -- Self-only coverage
$2,700 -- Family coverage

In addition, annual out-of-pocket expenses under the plan (including deductibles, co-pays, and co-insurance) cannot exceed:

$ 6,750 -- Self-only coverage
$13,500 -- Family coverage

In general, the deductible must apply to all medical expenses (including prescriptions) covered by the plan. However, plans must pay for “preventive care” services (without a co-pay or other out-of-pocket charge). "Preventive care" includes routine pre-natal and well-child care, child and adult immunizations, annual physicals, mammograms, pap smears, etc.

HSA Contributions

You can make a contribution to your HSA each year that you are eligible. For 2019, you can contribute up to $3,500 if you have Self-only coverage and $7,000 if you have Family coverage.

Catch-Up Contributions

Individuals age 55 and older can also make additional "catch-up" contributions. The maximum annual catch-up contribution is $1,000. You can start making catch-up contributions in the year you turn 55.

Determining Your Contribution

Your annual contribution depends on the number of months of HSA-qualified coverage you have during the year. You only count the months when you have HSA-qualified coverage on the first day of the month. If you do not have HSA-qualified coverage for the entire year, you may not be able to make the maximum allowed contribution.

You may still be able to make the full contribution allowed for the year even if your HSA-qualified coverage begins on a day other than January 1. To do so, you must maintain your HSA-qualified coverage through the end of the following calendar year or you will have to pay income tax and a 10% penalty on the extra amount you contributed.

Contributions may be made as frequently as you desire as long as you don't exceed the maximum allowed for the year. You may make regular deposits or periodic deposits, or one lump sum. You decide!

Contributions for the year may be made as late as April 15th of the following year.

You may even roll over funds from an IRA (one time only) to help get your HSA started. The amount you rollover is limited to the annual HSA contribution amount for the year, including the catch-up amount if you are 55 or older.

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Revised for 2019. Some annual limits change with inflation.

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This brochure has been compiled using information obtained from The U.S. Department of the Treasury and reviewed by HSA Consulting Services, LLC. We encourage you to seek counsel from your own advisors when making important decisions about your health care.

Need More Info about HSAs?

Please contact your local insurance broker.

Using Your HSA

You can use the money in the account to pay for any "qualified medical expense" permitted under federal tax law. This includes most medical care and services, dental and vision care, and includes over-the-counter drugs such as aspirin (although a prescription is now required).

You cannot generally use the money tax-free to pay for medical insurance premiums unless you are receiving federal or state unemployment benefits. However, anyone can pay the following insurance premiums tax-free:

- COBRA continuation coverage after leaving employment with a company that offers health insurance coverage.
- Qualified long-term care insurance.
- Medicare premiums and out-of-pocket expenses, including deductibles, co-pays, and coinsurance, if you are age 65, for:
  - Part A (hospital and inpatient services)
  - Part B (physician and outpatient services)
  - Part C (Medicare Advantage plans but not MediGap policies)
  - Part D (prescription drugs)

You can use the money in the account to pay for medical expenses of yourself, your spouse, or your dependent children. You can pay for expenses of your spouse and dependent children even if they 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% tax penalty. Examples include:

- Medical expenses that are not considered "qualified medical expenses" under federal tax law (e.g., cosmetic surgery).
- Premiums for other types of health insurance unless specifically described above.
- Premiums for Medicare supplement insurance.
- Expenses that are not medical or health-related.

After you turn age 65, the 20% additional tax penalty no longer applies (withdrawals are still taxable as income). If you become disabled and/or enroll in Medicare, the account can be used for other purposes without paying the additional 20% penalty (income tax still applies).

What Happens to My HSA When I Die?

If your spouse is named the beneficiary of the account, he/she becomes the new owner of the account and can use it as if it were their own HSA. If you are not married, the account will no longer be treated as an HSA upon your death. The funds in your account will pass to your beneficiary or become part of your estate (and be subject to any applicable taxes).