Frequently asked questions | Health Savings Account

General information

What is a Health Savings Account (HSA)?
A Health Savings Account (HSA) is an individually owned, tax-advantaged bank account that allows you to accumulate funds to pay for qualified health care expenses. To qualify, you must be covered under a qualified high-deductible health plan (HDHP) as defined by IRS regulations. The State Health Plan Savings Plan is a high-deductible health plan. You can contribute to your HSA through pretax payroll deductions.

You can pay for current qualified health care expenses or save the funds for retirement health care expenses. You are responsible for monitoring your account, including ensuring distributions are for qualified expenses and contributions do not exceed limits set by the IRS. You must keep records and documentation of all health care expenses for which distributions are taken.

What are the advantages of having an HSA?
HSAs offer a triple tax advantage:

- Contributions are 100 percent tax-deductible for the account holder.
- Funds grow on a tax-deferred basis, and funds are not taxed if used for an eligible expense.
- Funds can be used tax-free for eligible health care expenses.

How does an HSA work?
As you make contributions to your HSA, you can save the funds or spend the funds on current health care expenses. Unused funds and interest carry forward, without limit, from year to year. As the account holder, you own the account and can keep the account even if you change jobs or stop working.

Who is eligible to have an HSA?
To qualify for an HSA, you must meet the following requirements:

- You must be covered by the Savings Plan, which is a qualified high-deductible health plan (HDHP).
- You must have no other health coverage, including a spouse’s plan that provides benefits covered by your HDHP. You can, however, have accidental, disability, dental, vision or long-term care coverage or coverage that provides benefits for a specific disease or illness, a fixed amount for hospital stays or liability coverage, such as workers’ compensation.
- You are not enrolled in Medicare.
- You do not receive health benefits under TRICARE.
- You have not received Veterans Administration (VA) benefits within the past three months.
- You cannot be claimed as a dependent on someone else’s tax return.

Can I have an HSA and a Medical Spending Account (MSA)?
Yes. You cannot also enroll in an MSA, but you may enroll in a Limited-use MSA, which allows you to pay for dental and vision expenses only.

What is a Limited-use Medical Spending Account (MSA)?
A Limited-use MSA is a Health Savings Account (HSA)-compatible MSA. The Limited-use MSA allows you to set aside money pretax to pay for things the Savings Plan does not cover, such as dental and vision care expenses. If you are enrolled in the Savings Plan, you are eligible to participate in a Limited-use MSA, which will help maximize your tax savings. The HSA can be used to pay all types of medical expenses incurred now or in the future; however, the Limited-use MSA can be used only to pay for current year dental and vision expenses.

Here's a tip. Plan carefully to preserve the value of both accounts by using your HSA funds as a way to save and invest for future health care expenses, or large, unexpected expenses. Use your Limited-use MSA to pay for routine vision and dental care expenses you incur each year.

I am currently enrolled in the Standard Plan and have a Medical Spending Account (MSA), but I want to enroll in the Savings Plan for next year and contribute to an HSA. What do I need to do?
First, you need to enroll in the Savings Plan and an HSA during open enrollment for the 2023 plan year. Your MSA includes a carryover provision, which means you can carry over up to $570 of your MSA balance into the 2023 plan year; however, you cannot contribute to your HSA in the new plan year if you have a balance in your MSA. Therefore, any carryover funds in your MSA will automatically convert to a Limited-use MSA if you enroll in an HSA.

Enrollment and contributions

How do I enroll in an HSA through HSA Central?
When you enroll in the Savings Plan and elect to make contributions to an HSA, PEBA will notify HSA Central to setup a bank account for you. You will receive a welcome email with directions to activate your account. You will receive your HSA Central debit card within 7 to 10 business days. Be sure to log in to your account online to accept the account's terms and conditions and call to activate your debit card to fully access your new HSA.

How do I add a beneficiary to my account?
To designate a beneficiary, log in to the HSA Central Consumer Portal, select *Accounts*, then *Profile Summary* and *Add Beneficiary.* It's important to review your beneficiary designations periodically to ensure your they are up to date.

How do I make contributions to my HSA?
You may contribute to your HSA via pretax payroll contributions through your employer or you may make post-tax deposits to your account by transferring funds from your checking account at another bank. You'll receive the post-tax benefits when you file your annual taxes.

Can I change my contribution amount during the year?
Yes. You can change your contribution to your HSA at any time, but no more than once a month. To change your pretax payroll deduction amount, contact your employer.

Are there limits to how much I can contribute to my HSA?
The IRS establishes annual contribution limits for individuals and families based on their level of health insurance coverage. The IRS also includes special rules that allow individuals ages 55 to 65 to make catch-up contributions. Anyone can make contributions to an HSA of an eligible individual. Excess contributions, if not withdrawn in a timely manner, may be assessed an excise tax of 6 percent.

	2022 Limit
Self-only coverage	$3,650
Family coverage	$7,300
Catch-up contribution (ages 55-65)	$1,000

What is a catch-up contribution?
Individuals between ages 55 and 65 can contribute an additional $1,000 per calendar year. A married couple may make two HSA catch-up contributions, so long as both spouses are at least age 55 and a separate HSA is established in the name of each spouse.

Who can contribute to my HSA?
Anyone can contribute funds to your HSA. For example, family members or any other person may make contributions on behalf of an eligible individual.

Can I contribute funds from my Individual Retirement Arrangement (IRA) to my HSA?
You can make a one-time contribution from an IRA to your HSA, subject to the maximum annual contribution limits and provided it is a direct IRA to HSA transfer.

If I have another HSA already, can I transfer those HSA funds into my new HSA?
Yes. You can transfer amounts from your other HSA(s) by completing the *HSA Central Transfer Request Form*. While there are no transfer fees from HSA Central, you should check with other bank custodians for details about their fees.

What happens if I exceed the annual contribution limit?
You must report the excess amount as gross income on your income tax return, and an excise tax of 6 percent will apply. You can withdraw excess contributions by contacting HSA Central, and the 6 percent excise tax will no longer apply.

Can I have a joint HSA with my spouse?
No.

Is there a deadline for contributions made to an HSA?
Yes. Annual contributions should be made by your tax filing deadline. For most individuals, this date is April 15 of the following year.

Can I invest my HSA funds?
Yes. You can invest your funds once your account balance reaches $1,000. You have a variety of investments from which to choose, or you can self-direct funds with a registered representative by contacting the bank custodian, Central Bank. Investments are not guaranteed and may lose value, including the loss of principal. Investment products and services are not a deposit, not FDIC insured, not insured by any federal government agency, not guaranteed and may go down in value.

What happens to my HSA if I am no longer covered by the Savings Plan?
You can no longer make pretax contributions to your HSA through PEBA. However, your HSA funds are available to you to use to pay for qualified health care expenses.

Distributions from your HSA

Can I use tax-free HSA funds to reimburse myself for IRS-qualified health care expenses?
Yes. As long as the qualified health care expense occurred after you opened the HSA, you can pay for the expense or reimburse yourself with HSA funds. Keep copies of your itemized receipts and insurance plan explanation of benefits (EOBs) to verify your funds were used for qualified health care expenses, not paid for by another source or taken as an itemized deduction for a prior tax year.

Qualified expenses are defined by the IRS as amounts paid for the diagnosis, cure, mitigation, treatment or prevention of disease or for the purpose of affecting a structure or function of the body, as well as for transportation primarily for and essential to such care. Qualified expenses generally do not include insurance premiums, but do include premiums for long-term care insurance, COBRA coverage, health care coverage while receiving unemployment compensation, or Medicare and other health care coverage if you were age 65 or older (other than premiums for a Medigap policy, such as the Medicare Supplemental Plan).

See IRS Publication 502 and IRS Publication 969 for more information.

Can I use my HSA funds to pay for my spouse or children's medical expenses ?
Yes. You can use HSA funds to pay for qualified health care expenses for yourself, your spouse or dependent even if they are covered under another health plan. Generally, people qualify as your dependent(s) if you claim them as an exemption on your federal income tax return. Be sure to consult a qualified tax advisor for further information about your personal situation.

What types of expenses are eligible to be paid from my HSA?
HSA funds can be spent on current year expenses or saved for future expenses to pay for qualified medical, dental, vision and prescription drug expenses as defined in IRS Publication 502. Funds used for non-health care expenses are subject to income tax and, if you are younger than age 65, are subject to a 20 percent IRS penalty.

For a list of qualifying expenses, visit www.irs.gov.

How can I take distributions from my HSA or pay for qualified health care expenses?
When you open an HSA, you will receive some exclusive features designed to make paying and tracking your qualified expenses seamless and user-friendly. You will receive a MasterCard® debit card that you can use for payments and the opportunity to use free online Bill Pay. You will also have access to your account statement online.

What should I do if I have overpaid my health care provider, and the health care provider refunds the overpaid amount to me?
Contact HSA Central at 833.571.0503 for assistance in returning the funds to ensure it is not reported as a current year contribution.

What happens if I use my HSA funds to pay for something other than a qualified health care expense?
HSA funds used for something other than qualified health care expenses are considered part of your gross income and are subject to applicable income tax and a 20 percent tax penalty. Funds used after an account holder's death or disability or after age 65 are not subject to the 20 percent penalty.

Do I need to report information about my HSA on my personal income tax return?
Yes. Individual account holders must file IRS Form 8889 with their annual tax return to report contributions and distributions from the account. HSA Central will provide two tax forms:

- Form 5498-SA to report the contributions and rollovers made during the previous calendar year; and
- Form 1099-SA to report the total amount of distributions from the HSA.

Can I designate beneficiaries for my HSA?
Yes. If you designate your spouse as the beneficiary, the account will be treated as your spouse's HSA after death. If your spouse is not the beneficiary, the account stops being treated as an HSA, and the fair market value of the HSA becomes taxable to the beneficiary in the year in which you die. If your estate is the beneficiary, the value is included on your final income tax return. You can also designate a trust as the primary or contingent beneficiary.

More information

Visit the HSA Central website at schsa.centralbank.net or call 833.571.0503. Log in and access your account for:

- Statements and activity;
- Bill Pay services;
- Setting up recurring provider payments; and
- Online investments.