



HEALTH SAVINGS ACCOUNTS

Save for Healthcare. Save for Retirement.



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What is an HSA?

A Health Savings Account (HSA) is an individually owned, tax-advantaged account that individuals can use to pay for current or future IRS-qualified medical expenses.

With an HSA, the accountholder can save for healthcare expenses or retirement through self-directed investment options.¹



How an HSA Works

The accountholder contributes to the HSA through payroll deduction, online banking transfer, or a personal check to HSA Bank. Employers or third parties, such as a spouse or parent, may contribute to the account as well.

Individuals can then pay medical providers directly with the HSA Bank Health Benefits Debit Card or out of pocket. Accountholders have the option to reimburse themselves or keep the funds in their HSAs to allow them to grow further.

Unused funds roll over year to year. After age 65, funds can be withdrawn for any purpose without penalty (subject to ordinary income taxes).

HSA Eligibility

An individual with a high-deductible health plan (HDHP) – either through an employer or spouse or acquired independently – is typically eligible to open an HSA.

Additionally, these stipulations apply to all applicants:

- Cannot be covered by any other non-HSA-compatible health plan, including Medicare Parts A and B
- Cannot be covered by TriCare
- Must not have accessed his/her VA medical benefits in the past 90 days
- Cannot be claimed as a dependent on another person's tax return (excluding spouses)
- Must have coverage on a qualified HDHP on the first day of the month

Potential HSA Tax Savings

An HSA provides triple tax savings²

- 1** Contributions to an HSA can be made with pre-tax dollars and any after-tax contributions that the accountholder makes to his/her HSA are tax deductible.
- 2** HSA funds earn interest, and investment earnings are tax free.
- 3** When used for IRS-qualified medical expenses, distributions aren't taxed.

Annual IRS Contribution Limits

Contributions made by all parties to an HSA cannot exceed the annual limit set by the Internal Revenue Service (IRS). Anyone can contribute to an individual's HSA, but only the account holder and employer can receive tax deductions on those contributions. Combined annual contributions made by the account holder, employer, and third parties (such as a parent or spouse) must not exceed these limits.³

According to IRS guidelines, each year the account holder has until the tax filing deadline to contribute to the HSA (typically April 15 of the following year). Visit [IRS.gov](https://www.irs.gov) for more information.

Catch-up Contributions

Account holders who meet these qualifications are eligible to make an HSA catch-up contribution of \$1,000:

- Health Savings account holder; age 55 or older (regardless of when in the year an account holder turns 55)
- Not enrolled in Medicare (if an account holder enrolls in Medicare mid-year, catch-up contributions should be prorated)
- Authorized signers who are 55 or older must have their own HSA in order to make the catch-up contribution

IRS-Qualified Medical Expenses

An HSA can be used to pay for a wide range of IRS-qualified medical expenses for the account holder, spouse, or tax dependents. These expenses are generally defined as an expense for healthcare services, equipment, or medications. Please also see IRS Publication 502 for further information. Funds used to pay for IRS-qualified medical expenses are always tax free.

HSA funds can also be used to get reimbursed for past medical expenses if the expense was incurred after the HSA was established. While the account holder isn't required to submit any receipts to HSA Bank, it is recommended that the account holder hold onto bills and receipts for tax purposes.

Examples of IRS-Qualified Medical Expenses⁴:

Acupuncture	Hearing aids and batteries	Surgery (excluding unnecessary cosmetic surgery)
Alcoholism treatment	Hospital bills	Telephone or TV equipment to assist the hearing or vision impaired
Ambulance services	Insurance premiums⁵	Therapy or counseling
Annual physical examination	Laboratory fees	Medical transportation expenses
Artificial limb or prosthesis	Lactation expenses	Transplants
Birth control pills (by prescription)	Lodging (away from home for outpatient care)	Vaccines
Chiropractor	Nursing home	Vasectomy
Childbirth/delivery (for medical treatment only)	Nursing services	Vision care (including eyeglasses, contact lenses, Lasik surgery)
Crutches	Obstetrician	Weight loss programs (for a specific disease diagnosed by a physician – such as obesity, hypertension, or heart disease)
Doctor's fees	Osteopath	Wheelchairs
Dental treatments (including X-rays, braces, dentures, fillings, oral surgery)	Oxygen	X-rays
Dermatologist	Pregnancy test kit	
Diagnostic services	Podiatrist	
Disabled dependent care	Prescription drugs and medicines (over-the-counter drugs are not IRS-qualified medical expenses unless prescribed by a doctor)	
Drug addiction therapy	Prenatal care and postnatal treatments	
Fertility enhancement (including in-vitro fertilization)	Psychologist	
Guide dog (or other service animal)	Smoking cessation programs	
Gynecologist	Special education tutoring	

