



# Frequently Asked Questions

## Health Savings Account

### HSA basics

#### Q1: What is an HSA?

A: An HSA is a savings account used in conjunction with an HSA-compatible health plan that allows you to save money, pretax, to pay for qualified medical expenses.

#### Q2: How is HealthEquity, Inc. involved with my HSA?

A: HealthEquity works with Blue Cross Blue Shield of Michigan to administer your HSA. However, HealthEquity isn't involved in administering your health plan.

#### Q3: What are the benefits of an HSA?

A: An HSA is a flexible way to manage current health care costs and save for future retirement needs. It also:

- Allows you to decide when and how to spend your money
- Provides potential tax savings with payroll deductions, interest earned and use of funds for qualified medical expenses – all tax free

#### Q4: Who owns my HSA?

A: You own the HSA and the money in the account.

#### Q5: Who is eligible to open and contribute to my HSA?

A: You can open and contribute to an HSA if you're enrolled in an HSA-compatible health plan and:

- Aren't covered by another health plan that isn't HSA compatible
- Aren't enrolled in Medicare or Tricare
- Don't have a government-sponsored health plan from another country
- Don't have access to funds in a full-medical flexible spending account or health reimbursement arrangement
- Can't be claimed as a dependent on someone else's tax return

Once your HSA is open, you, your employer or a third party can contribute to it, up to the maximum annual limit.

#### Q6: Is there a limit on the amount I can contribute to my HSA?

A: Contribution limits are determined by the Internal Revenue Service each year. The maximum contribution for 2018 is \$3,450 for single coverage and \$6,900 for family coverage.

#### Q7: If my spouse has Medicare, can I contribute to an HSA?

A: Yes. As long as you aren't enrolled in Medicare and remain enrolled in an HSA-compatible health plan, you can contribute to an HSA.

### **Q8: Are HSA catch-up contributions allowed?**

A: Yes. An annual HSA catch-up contribution of \$1,000 is allowed for those ages 55 or older.

### **Q9: Can I still have an HSA if I'm unemployed?**

A: Yes. An HSA is portable but how you use it depends on your coverage.

- If you have an HSA when you become unemployed, the account is portable. You own the account and the money in it.
- If you're unemployed and have an HSA-compatible health plan, you can open, contribute and use HSA funds for qualified medical expenses.
- If you're unemployed and don't have an HSA-compatible health plan, you're not eligible to open a new HSA or contribute to an existing HSA. However, you'll still be able to access your funds from an existing HSA.

### **Q10: In the event of death, what happens to my HSA funds?**

A: It's important to designate a beneficiary to make sure your HSA funds are transferred according to your wishes, without tax consequences, upon your death. Designate or change your beneficiary online through your Blue Cross member account, or by completing a *Beneficiary Designation Form*.

- If your beneficiary is your spouse, he or she becomes the owner of the HSA upon your death and may use the funds for qualified medical expenses and carry the account into retirement.
- If the beneficiary isn't your spouse, your HSA is closed on the date of your death. Your beneficiary will receive the fair-market value of the assets in your account, which will be treated as taxable income.
- If you choose not to designate a beneficiary, the assets in your account will be included on your final income tax return as part of your estate.

## **HSA-compatible health plan**

### **Q1: What is an HSA-compatible health plan?**

A: An HSA-compatible health plan is a health plan that meets IRS deductible, out-of-pocket maximum and coverage requirements. Typically an HSA-compatible health plan will have a relatively high deductible with lower monthly premiums.

### **Q2: How does an HSA-compatible health plan work with an HSA?**

A: An HSA-compatible health plan provides your health care coverage. An HSA works in conjunction with your health plan to provide additional financial stability by covering out-of-pocket health care costs, such as deductible and coinsurance, from a tax-advantaged savings account.

### **Q3: Does an HSA-compatible health plan have to be in my name for me to open an HSA?**

A: No. The health plan doesn't have to be in your name. As long as you have coverage under the plan, you're eligible to open and contribute to an HSA, assuming you meet all eligibility requirements.

### **Q4: I have an HSA-compatible health plan that doesn't cover my children. Can I use the money in my HSA to pay for my children's medical expenses?**

A: Yes. The money in your HSA can be used to pay for qualified medical expenses for any family member who qualifies as a dependent on your tax return. However, if the dependent isn't covered under your health plan, his or her expenses won't be applied toward your deductible or out-of-pocket maximum.

## Managing HSA funds

### Q1: What is a qualified medical expense?

A: A qualified medical expense is a health care expense that is approved by the IRS. Some examples of qualified medical expenses are deductibles, coinsurances and post-deductible copayments. See *IRS Publication 502 – Medical and Dental Expenses* for a complete list of qualified expenses.

### Q2: Am I limited to using money in my HSA for qualified medical expenses only?

A: No. However, penalties may apply for non-qualified withdrawals before age 65.

- If you're younger than 65, you'll be taxed and receive a 20 percent penalty.
- If you're 65 or older, you'll be taxed on the money you use, but won't have to pay a penalty.

### Q3: What if I pay for qualified medical expenses out of pocket?

A: If you pay for qualified medical expenses out of pocket, you can reimburse yourself with funds from your HSA using our online resources. See *Tools and resources* for directions on how to access your account online.

### Q4: Can I transfer my HSA funds from a previous employer?

A: Yes. You'll need to complete a transfer or roll over form (and any applicable paperwork with your previous administrator) to have funds moved to your HealthEquity HSA.

### Q5: Who invests the money contributed into my HSA?

A: You make the decision to invest the money in your HSA. Any balances over \$2,000 can be invested in a variety of funds. These investments are similar to other online trade investments and aren't Federal Deposit Insurance Corporation insured.

## Using an HSA to save for retirement

### Q1: Can I roll money from my Individual Retirement Account into my HSA?

A: Yes. You can make a one-time roll over from your IRA into your HSA, up to the maximum contribution limit for that year (other rules may apply).

### Q2: What happens to money in my HSA when I retire?

A: That depends:

- If you're under age 65, retired and still have an HSA-compatible health plan, you can continue to contribute to the HSA and use the funds for qualified medical expenses.
- If you're under age 65, retired and don't have an HSA-compatible health plan, you're no longer eligible to contribute to the HSA, but can continue to use the funds for qualified medical expenses
- If you're 65 or older, retired and on Medicare, you're no longer eligible to contribute to the HSA, but can continue to use the funds for qualified medical expenses.
- If you're 65 or older, you're not limited to using an HSA just for health care expenses. You may use it for other expenses, however you'll need to pay income taxes on those amounts but won't have any early withdrawal penalties.

### Q3: What are the benefits of using an HSA in retirement compared to other retirement accounts?

A: While distributions from most common retirement accounts count as taxable income, you may use HSA funds for qualified medical expenses tax free. Since out-of-pocket medical expenses can be a major drain on retirement savings (\$375,000 for a married couple according to some estimates\*), it's a good idea to use your HSA for health care costs and save your IRA or 401(k) for other costs.

Furthermore, since qualified medical expenses are tax free from your HSA, you could save up to \$93,750 (assuming a 25 percent tax rate) as compared to paying for medical costs out of an IRA or 401(k).

\*Source: (2016 RETIREMENT HEALTH CARE COSTS DATA REPORT®, Health View Insights, 2016)

## Tools and resources

### Q1: Can I access my HSA online?

A: Yes. You can access your HSA online to check account balances, manage claim transactions and much more through your Blue Cross member account as follows:

1. Go to **bcbsm.com** and log in as a member.
2. Click *My Coverage*.
3. Click *Spending Accounts* from the drop-down menu.
4. Click the *Go to your health spending account* link. This will take you to the HealthEquity member portal.

### Q2: What other HSA resources are available once I link to the HealthEquity member site?

A: Popular HealthEquity member portal resources include:

- HSA education: View HSA videos and tutorials
- Contribution calculator: Estimate contribution amounts and instantly see tax savings
- Direct links to the Blue Cross transparency tools
- Direct links to Blue Cross wellness sites

### Q3: Is there a debit card?

A: Yes, up to three HSA debit cards are available free of charge for your convenience.

### Q4: Who do I contact if I have questions about my HSA?

A: Call HealthEquity Member Services at 1-877-284-9840 for questions about your HSA 24 hours a day, seven days. If you have questions about your Blue Cross coverage, call the Customer Service number on the back of your Blue Cross ID card.

### Q5: How can I learn more?

A: Visit **bcbsm.com/hsa** for more information about HSAs.

The information in this document is intended as an educational tool only, not as legal advice. Consult your legal advisor if you have questions about federal laws pertaining to HSAs.

HealthEquity, Inc. is an independent company supporting Blue Cross Blue Shield of Michigan by providing health care spending account administration services. An independent, FDIC-insured bank holds the health saving account dollars.

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