

HSAGUIDE



A Road Map to Health Savings Accounts
for everyday people

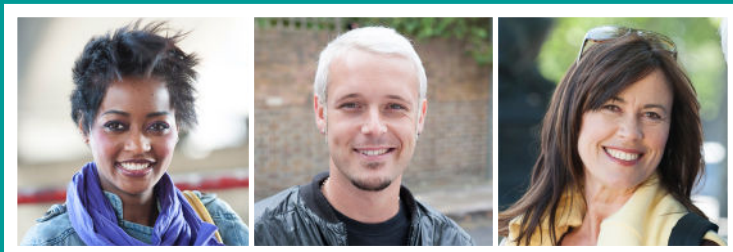


WHAT IS AN HSA?



A Health Savings Account (HSA) is a tax savings account that is only available if it is paired with a qualified high-deductible health plan (HDHP).

The popularity of HSAs is growing every year as people are looking to manage the rising cost of healthcare.



An HSA can be used to cover:

- Your insurance deductible
- Qualified health care expenses
- Co-payments and coinsurance
- Over-the-counter medicine
- Menstrual products

ELIGIBILITY

To be eligible for an HSA, you must meet all of the requirements.

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- ✓ You are covered under a qualified HDHP and have coverage on the first day of the month in which the HSA account is opened.
See chart opposite side for HDHP guidelines.
 - ✗ You are not covered by another health plan that is not an HDHP.
 - ✗ You are not eligible to be claimed as a dependent on another individual's tax return.
 - ✗ You are not enrolled in Medicare (part A or B) benefits.
 - ✗ You are not enrolled in a traditional Medical Flexible Spending Account (FSA) or Health Reimbursement Account (HRA).
 - ✗ Your spouse is not covered under General Purpose Medical FSA or HRA which can be used to pay for your expenses.
 - ✗ Must not have used VA medical benefits in the past three months, with the exception of preventative services or treatment for a service-related disability.

HDHP MINIMUM ANNUAL IN-NETWORK DEDUCTIBLE

HSA MAXIMUM CONTRIBUTION AND OUT OF POCKET

	2025		2026	
	Employee Only Coverage	Family Coverage	Self-Only Coverage	Family Coverage
Annual Minimum Deductible	\$1,650	\$3,300	\$1,700	\$3,400
Maximum HSA Contribution	\$4,300	\$8,550	\$4,440	\$8,750
Maximum Out Of Pocket	\$8,300	\$16,600	\$8,500	\$17,000
Catch Up (55 years old or older)	\$1,000	\$1,000	\$1,000	\$1,000

The IRS considers Employee plus one HDHP as family HDHP coverage.

Some family plans have deductibles for both the entire family and individual family members. If you meet the individual deductible for one family member under these plans, you are not required to meet the higher annual deductible for the family.

If either the deductible for the entire family or the deductible for an individual family member is less than the minimum annual deductible for family coverage allowed by the IRS, then the plan is not considered an HSA-qualified HDHP.

QUALIFIED EXPENSES

IRS Publication 502 (<https://www.irs.gov/pub/irs-pdf/p502.pdf>) contains a list of all approved qualified medical expenses, including but not limited to:



**DOCTOR AND HOSPITAL
SERVICES**

MEDICAL PRODUCTS

PRESCRIPTIONS

SERVICES AND TREATMENTS

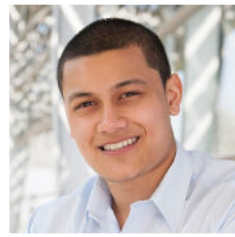
OVER-THE-COUNTER MEDICINE

MENSTRUAL PRODUCTS



HSA Distributions are self-substantiated, however as with all tax free benefits please keep all documents for tax purposes. HSA Distributions are self-substantiated, however as with all tax free benefits please keep all documents for tax purposes.

WHY AN HSA?



TOP THREE REASONS TO OPEN AN HSA

A TRIPLE-TAX ADVANTAGE

Contributions are tax-free, potential interest gains accumulate tax-free and distributions are tax-free when used to pay for qualified medical expenses.

CONTROL

You own the account and the money in the account, even if your employer contributes to it. The HSA gives you flexibility to go to an out-of-network doctor. If the money is in your HSA, you can pay for that visit.

Your money stays with you even if you switch jobs, change medical coverage, become unemployed or retire.

LONG-TERM SAVINGS

Unused funds roll over from year-to-year. The balance in your HSA may grow tax-free with no pressure to use the full balance by year-end. You may be able to use your HSA funds to supplement retirement income after age 65 (subject to applicable income taxes).



#1 HSA MYTH: THEY'RE ONLY FOR THE YOUNG AND HEALTHY

False: HSA enrollment is nearly equal across age groups. 52% of all HSA/HDHP enrollees in the individual market (including dependents covered under family plans) were age 40 or over; 48% were under age 40.

#2 HSA MYTH: I CAN ONLY USE HSA FUNDS IF COVERED UNDER AN HDHP.

False: You can use HSA funds to cover medical expenses any time after contribution, even if you are no longer in an HDHP.

You can use your HSA to cover out-of-pocket expenses for your spouse and dependents, as long as you are entitled to claim them on your taxes.

#3 HSA MYTH: IF I DON'T SPEND IT I WILL LOSE IT AT YEAR END.

False: HSAs, by design, are intended to rollover year-to-year. Unlike the FSA, there is no "Use it or Lose it" provision. There is no time limit in which you need to reimburse yourself for any qualified medical expenses you paid out-of-pocket.

Your HSA can be used to pay COBRA premiums, for continued health care coverage through your former employer.

NAVIGATING HSAs

MID-YEAR

CALCULATING MID-YEAR CONTRIBUTION LIMITS.

If you start an HSA-qualified health plan mid-year, you may contribute the full annual maximum to your HSA.

However, a testing rule applies to those that start an HDHP any time other than January 1st. Per the IRS, you must remain an HSA-eligible individual through December 31st of the **next** calendar year.

If you're not sure you'll remain on the plan, you may want to pro-rate your maximum contribution amount in order to avoid having the excess contributions added to your gross income and an additional 10% tax on that amount.

Prorating calculation:

1. Take the total annual contribution limit based on your coverage type (individual or family).
2. Divide that amount by 12.
3. Multiply it by the number of months that you qualify that year.

SWITCHING COVERAGE TYPE MID-YEAR.

If your insurance coverage changes from individual to family mid-year, you're eligible for the full family contribution limit for that calendar year.

If your insurance coverage changes from family to individual mid-year, your contribution limit will need to be pro-rated according to how many months you were on each type of insurance coverage.

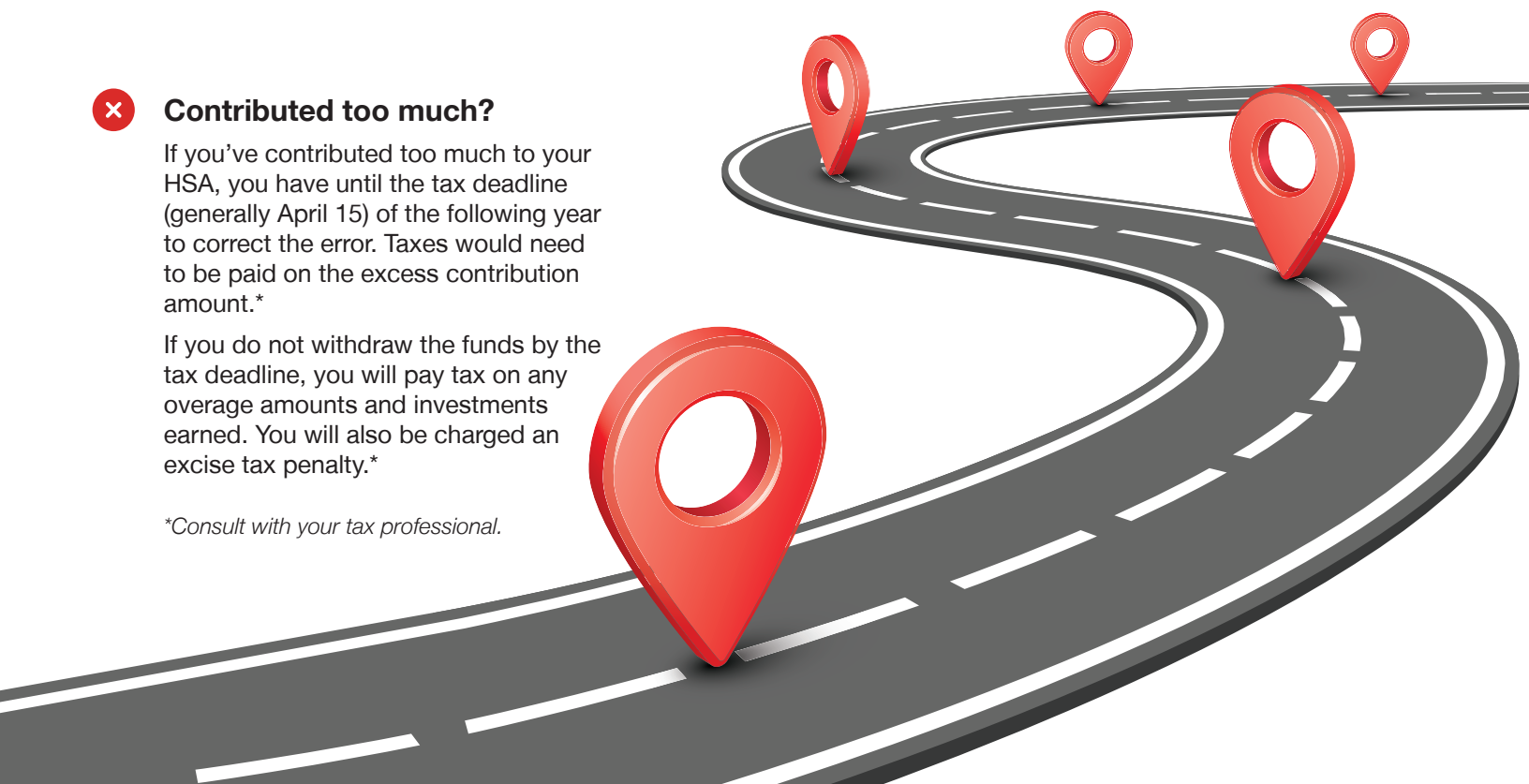
1. Take the number of months you'll have individual coverage multiplied by the total annual individual contribution limit divided by 12.
2. Add that amount to the number of months you'll have family coverage multiplied by the total annual family contribution limit divided by 12.
3. The sum of the two pro-rated amounts equals your maximum contribution amount allowed for the year.

✕ Contributed too much?

If you've contributed too much to your HSA, you have until the tax deadline (generally April 15) of the following year to correct the error. Taxes would need to be paid on the excess contribution amount.*

If you do not withdraw the funds by the tax deadline, you will pay tax on any overage amounts and investments earned. You will also be charged an excise tax penalty.*

**Consult with your tax professional.*



COORDINATION WITH FSA.

The IRS stipulates that as part of the overall eligibility requirements required to establish an HSA, an individual cannot have “other health coverage except what is permitted”.

Flexible Spending Account plans are considered group health plans and for HSA eligibility purposes are disqualifying coverage.

DOES YOUR FSA PLAN HAVE A GRACE PERIOD?

FSA Participants with year-end balances that can be used during the grace period are not eligible for HSA until the first of the month following the end of the grace period.

HSA ELIGIBLE FSA

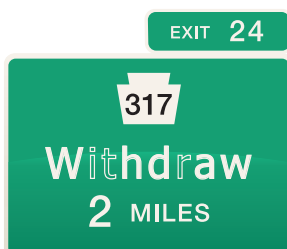
LIMITED PURPOSE & DEPENDENT CARE

The difference between a General Purpose Medical FSA and a Limited Purpose FSA is the eligible expenses. A Limited Purpose FSA plan only allows for reimbursements of dental, vision and post deductible expenses (co-insurance and co-pay expenses after your deductible has been met).

You may still sign up for a Health Savings Account, if you have either a Limited Purpose FSA or Dependent Care FSA.



HSA REIMBURSEMENT OPTIONS



BASIC CARD

The most popular and easiest way to access HSA funds is to use your BASIC Card to pay for eligible expenses anywhere MasterCard is accepted.

ONLINE OR APP

Submit receipts and documentation to the BASIC CDA System or through the BASIC Benefits App for reimbursement to MyCash.

PICTURE TO PAY

Take a picture of the bill for an eligible expense and submit via the BASIC Benefits App. Just click and submit and we'll take care of the rest.