



Health Savings Accounts

EMPLOYER BENEFIT SOLUTIONS FOR YOUR INDUSTRY

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Health Savings Accounts

What is it?

An HSA is an individually owned, tax-advantaged account that allows employees to save for eligible healthcare costs now, **and into the future.**



What You Need to Know About HSAs

- **Triple Tax Advantage:**
 - Money goes in tax-free
 - Savings grows tax-free
 - Withdrawals are tax-free if used for eligible items
- Account **stays with employee**, even if they change jobs
- **Individuals** Responsible for Substantiation
- **Adjust** contribution amount at **any time** (subject to employer's plan)
- No “use or lose” rule, **save what's not spent**
- Generally, **invest** savings for growth, just like a 401(k)

How Do HSAs Work?



Select an amount to contribute to the HSA



Earn interest on contributions and lower taxable income



Use the funds on their family's annual medical expenses



Save and grow the funds for future medical needs

HSA Contribution Limits and Qualified HDHP Requirement

HSA Limits	Individual Coverage	Family Coverage
2021	\$3,600	\$7,200

2021 HDHP Limits	Individual Coverage	Family Coverage
Annual Minimum Deductible	\$1,400	\$2,800
Maximum Out of Pocket	\$7,000	\$14,000

Using HSA Funds

HSA funds can be used to pay for any eligible medical expenses. This includes expenses for:

- Co-pays and deductibles
- Dental & Vision
- Over-the-counter Drugs & Items
- Menstrual Products



Using HSA Funds

Additionally, HSA funds can pay for certain premiums, including:

- Long-term care insurance
- Healthcare continuation coverage (such as coverage under COBRA)
- Healthcare coverage while receiving unemployment compensation under federal or state law
- Medicare and other healthcare coverage if 65 or older (does not include premiums for Medicare supplemental policies such as Medigap)

Using HSA Funds



Benefits Debit Card

Pay for eligible medical expenses with a Benefits Debit Card and the amount is deducted from the HSA account.



Online Reimbursement

Request funds online and receive a check or direct deposit to the employees' checking/savings account.



Distribution Request Form

Fax or mail a distribution request form to receive reimbursement by check or direct deposit.



Online Bill Pay

Request funds online to pay a provider directly from an HSA account.

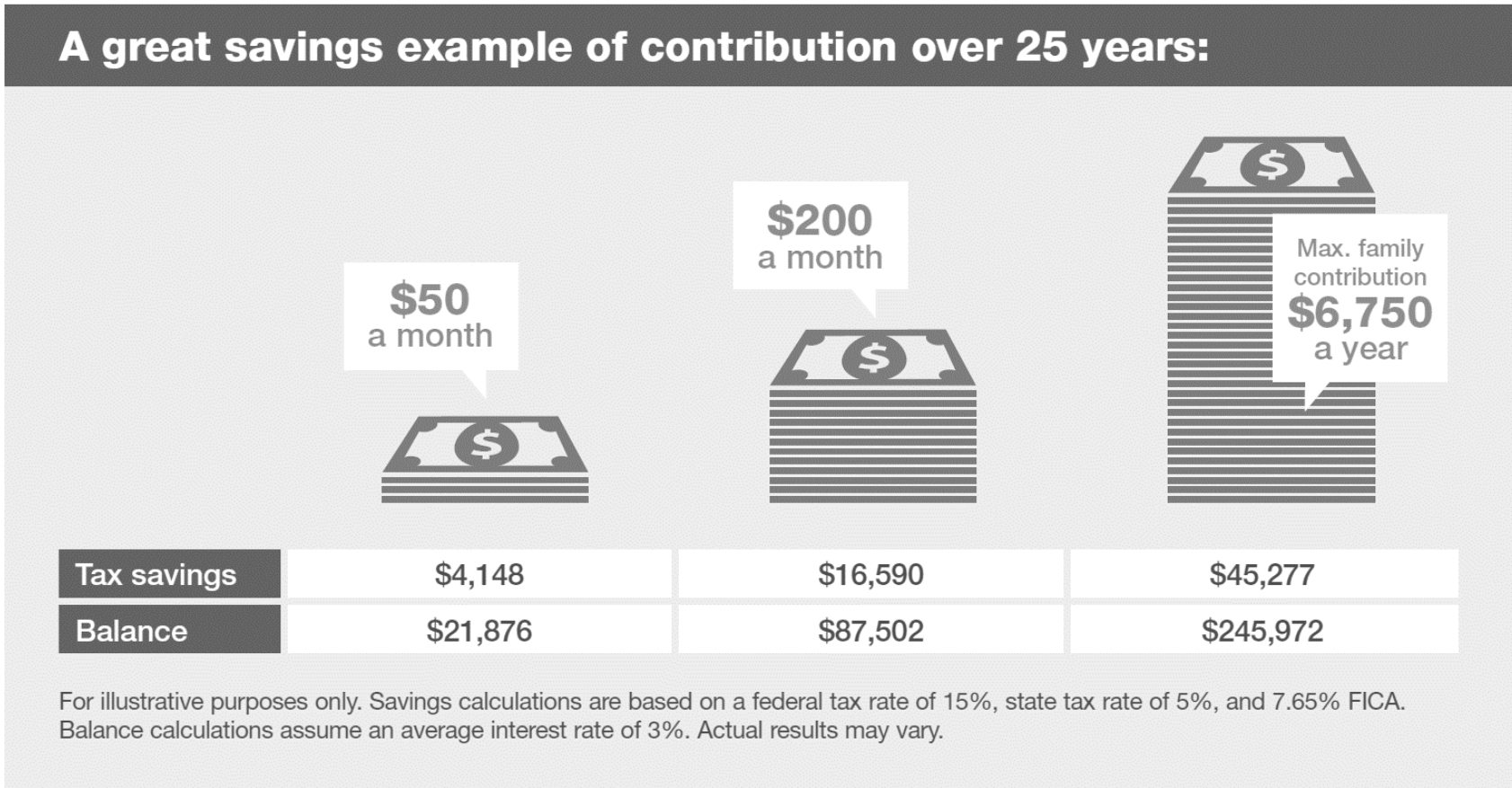
Contribution Limits

Contribution limits are based on who is included under the HDHP.

- Only person on HDHP = contribute the self-only coverage maximum.
- Include spouse and/or any tax-dependent children on HDHP = may contribute the family coverage maximum.

Example:

Short-Term and Long-Term Savings Potential with an HSA





COMMON HSA QUESTIONS

Who May Contribute?

One requirement to contribute to an HSA is to be:

- Covered by a qualified High Deductible Health Plan (HDHP)



What if Enrolled in Other Coverage?

Employees may NOT contribute to an HSA if they are:

- Also covered by other non-qualified health plan.
 - Spouse & Children *can* be enrolled in other coverage including Medicare.



Can Spouse Have Their Own HSA?

If both spouses are HSA-eligible:

- Spouse *can* have separate HSA, if eligible. Contribution limits apply.
- If work for same employer, two spouses may not both contribute to a *single* HSA via payroll deduction.
- Spouse may open own HSA to take advantage of catch-up contributions (55 or older).



Employee Claimed on Another Person's Tax Return

Employees may NOT contribute to an HSA if they are:

- Being claimed as a dependent on another person's tax return
 - Employer may not contribute, as well.



Dependent Claimed on Another Person's Tax Return

Employees may NOT use their HSA dollars for a dependent who is:

- Being claimed as a dependent on another person's tax return
 - Does not apply to minors of divorced parents.
 - Adult dependents can contribute to their own HSA.



Can an Employee Be Enrolled in Medicare?

Employees may NOT contribute to an HSA if they are:

- Participating in Medicare or Tricare
 - They can be enrolled in the HDHP itself.
 - Their spouse *can* be enrolled in Medicare or Tricare.



What if Employee Enrolls in Medicare Mid-Year?

If enroll in Medicare mid-year:

- HSA contribution limit is pro-rated.
- Medicare can make coverage retroactive 6 months, but no earlier than the first month became eligible.



Can Contributions Be Made Outside of Payroll?

HSA contributions can be made outside of payroll and deducted on Form 8889.

- Be careful not to over contribute.

Form **8889** Health Savings Accounts (HSAs) OMB No. 1545-0074
Department of the Treasury Internal Revenue Service **2020** Attachment Sequence No. 52
▶ Attach to Form 1040, 1040-SR, or 1040-NR. ▶ Go to www.irs.gov/Form8889 for instructions and the latest information.

Name(s) shown on Form 1040, 1040-SR, or 1040-NR Social security number of HSA beneficiary, if both spouses have HSAs, see instructions ▶

Before you begin: Complete Form 8853, Archer MSAs and Long-Term Care Insurance Contracts, if required.

Part I HSA Contributions and Deduction. See the instructions before completing this part. If you are filing jointly and both you and your spouse each have separate HSAs, complete a separate Part I for each spouse.

1	Check the box to indicate your coverage under a high-deductible health plan (HDHP) during 2020. See instructions	<input type="checkbox"/> Self-only <input type="checkbox"/> Family
2	HSA contributions you made for 2020 (or those made on your behalf), including those made from January 1, 2021, through April 15, 2021, that were for 2020. Do not include employer contributions, contributions through a cafeteria plan, or rollovers. See instructions	2
3	If you were under age 55 at the end of 2020 and, on the first day of every month during 2020, you were, or were considered, an eligible individual with the same coverage, enter \$3,550 (\$7,100 for family coverage). All others, see the instructions for the amount to enter	3
4	Enter the amount you and your employer contributed to your Archer MSAs for 2020 from Form 8853, lines 1 and 2. If you or your spouse had family coverage under an HDHP at any time during 2020, also include any amount contributed to your spouse's Archer MSAs	4
5	Subtract line 4 from line 3. If zero or less, enter -0-	5
6	Enter the amount from line 5. But if you and your spouse each have separate HSAs and had family coverage under an HDHP at any time during 2020, see the instructions for the amount to enter	6
7	If you were age 55 or older at the end of 2020, married, and you or your spouse had family coverage under an HDHP at any time during 2020, enter your additional contribution amount. See instructions	7
8	Add lines 6 and 7	8
9	Employer contributions made to your HSAs for 2020	9
10	Qualified HSA funding distributions	10
11	Add lines 9 and 10	11
12	Subtract line 11 from line 8. If zero or less, enter -0-	12
13	HSA deduction. Enter the smaller of line 2 or line 12 here and on Schedule 1 (Form 1040), Part II, line 12	13



HSAs AND OTHER REIMBURSEMENT ACCOUNTS

Can Someone Have an HSA *and* an FSA or HRA?

Employees may NOT contribute to an HSA if they are:

- Participating in a general-purpose Healthcare FSA or HRA
 - They may have a Limited Purpose FSA or HRA.
 - Be aware of Grace Period on HCFSA.

Transitioning from HCFSA to HSA

Before an employee can contribute to their new HSA, the employee must

- Reach the end of the plan year for the HCFSA, and
- Fully exhaust the funds in the HCFSA
- Understand employer contribution changes



Questions?

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