

BENEFITS



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HEALTH SAVINGS ACCOUNT (HSA)



Health Savings Accounts *How it Works* *2022*



*Take control over
your health care
expenses*



HSA

Health Savings Account

DEBIT



Health Savings Account (HSA)

What is a Health Savings Account?

A Health Savings Account (HSA) is an account that can be funded with your tax-exempt dollars to help pay for eligible medical expenses not covered by insurance plan, including deductible, coinsurance and in some cases, may be used to pay health insurance premiums.

Who is eligible for an HSA?

Anyone who is:

- Covered by a High Deductible Health Plan (HDHP)
- Not covered under another medical health plan that is not a High Deductible Health Plan
- Not entitled to Medicare benefits
- Not eligible to be claimed on another person's tax return

What is a High Deductible Health Plan?

A High Deductible Health Plan (HDHP) is a plan with a minimum annual deductible and a maximum out-of-pocket limit as listed below. These minimums and maximums are determined annually by the Internal Revenue Service (IRS) and are subject to change.

How does an HSA work?

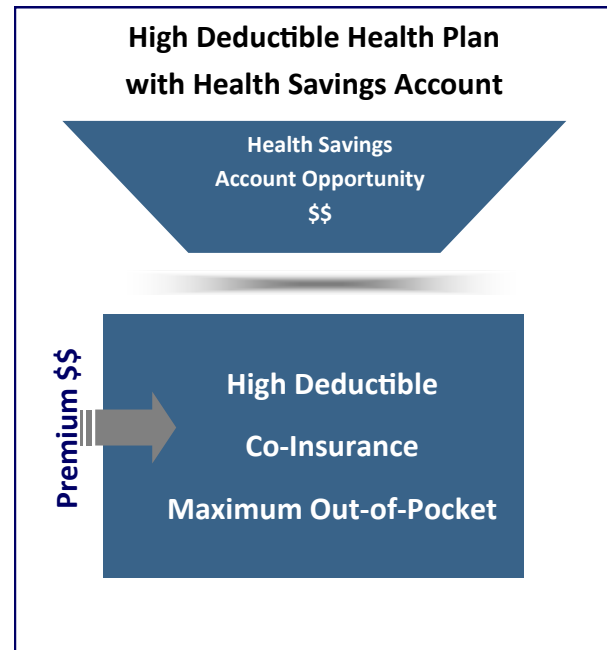
1. Employee and/or employer funds HSA account.
2. Employee seeks medical services.
3. Medical services are paid by the HDHP, subject to a deductible and coinsurance.
4. Employee may seek reimbursement from their HSA account for amounts paid toward deductible and coinsurance.

2022 Annual HSA Contribution Limits

Individual	\$3,650	
Family	\$7,300	
Type of Coverage	Minimum Annual Deductible	Maximum Annual Out-of-Pocket
Individual	\$1,400	\$7,050
Family	\$2,800	\$14,100

How does an HSA work?

Compared to a Traditional Health Care Plan, the premium for a High Deductible Health Plan (HDHP) is lower. As a result, premium savings could be utilized to fund the Health Savings Account (HSA).



When do I use my HSA?

After visiting a physician, facility or pharmacy your medical claim will be submitted to your HDHP for payment. Your HSA dollars can be used to pay your out-of-pocket expenses (deductibles and coinsurance) billed by the physician, facility or pharmacy or you can choose to save your HSA dollars for a future medical expense.

What is a deductible?

A deductible is a set dollar amount, determined by your plan, that you must pay, out-of-pocket or from your HSA account, before insurance for medical expenses can begin.

How much can I contribute to an HSA?

As noted by federal law for the 2022 calendar year, the annual contribution limits are:

- \$3,650 for individual coverage or \$7,300 for family coverage
- Individuals that are age 55 or older are eligible to make additional contributions up to \$1,000.

Why should I elect an HSA?

1. Cost Savings

Tax Benefits:

- ◆ HSA Contributions are excluded from federal income tax
- ◆ Interest earnings are tax-deferred
- ◆ Withdrawals for eligible expenses are exempt from federal income tax

2. Long-Term Financial Benefits

- ◆ Save for future medical expenses
- ◆ Funds roll-over year to year
- ◆ This is your account, you take it with you

3. Choice

- ◆ You control and manage your health care expenses
- ◆ You choose when to use your HSA dollars to pay your health care expenses
- ◆ You choose when to save your HSA dollars and pay health care expenses out of pocket

Health Savings Account (HSA)

Frequently Asked Questions

How do I manage my HSA?

The HSA account is your account - the HSA dollars are your dollars. Since you are the account holder or HSA beneficiary, you manage your HSA account. You may choose when (or when not) to use your HSA dollars. HSA dollars pay for any eligible expense. Most commonly, the HSA account holder will pay their out-of-pocket expenses (i.e. deductible and coinsurance) associated to their high deductible health plan with their HSA dollars.

What expenses are eligible for reimbursement from my HSA?

HSA dollars may be used for qualified medical expenses incurred by the account holder and his or her spouse and dependents. Qualified medical expenses are expenses for medical care and are outlined within IRS Section 213(d). In summary, the IRS Section 213(d) states that “the expense has to be primarily for the prevention or alleviation of a physical or mental defect or illness.”

In addition to qualified medical expenses, the following insurance premiums may be reimbursed from an HSA:

- ◆ COBRA premiums
- ◆ Health insurance premiums while receiving unemployment benefits
- ◆ Qualified long-term care premiums
- ◆ Any health insurance premiums paid, other than for a Medicare supplemental policy, by individuals age 65 and over

What expenses are NOT eligible for reimbursement from my HSA?

The following expenses may not be reimbursed from an HSA:

- ◆ Premiums for Medicare supplemental policies
- ◆ Expenses covered by another insurance plan
- ◆ Expenses incurred prior to the date the HSA was established
- ◆ Over the Counter (OTC) medicine or drugs without a prescription (except insulin)

What is a coverage gap?

A coverage gap is the gap between total out-of-pocket expenses associated to your high deductible health plan and your HSA dollars. For example: if you have a \$2,000 deductible, a \$4,000 maximum out-of-pocket and either you or your employer has contributed \$2,000 to your HSA account, you are financially obligated to pay the difference between your total maximum out-of-pocket ((\$4,000) and HSA account (\$2,000). $\$4,000 - \$2,000 = \$2,000$), if medical costs incurred exceed your total maximum out-of-pocket.

What happens when my HSA funds run out?

You may be financially responsible for any eligible medical expenses that fall within the coverage gap.

Can I use my HSA dollars for non-eligible expenses?

Money withdrawn from an HSA account to reimburse non-eligible medical expenses is taxable income to the account holder and is subject to a 20% tax penalty, unless you are over age 65, disabled or upon the death of the account holder.

Health Savings Account (HSA)

Frequently Asked Questions

When can I start using my HSA dollars?

You can use your HSA dollars immediately following HSA account activation and contributions have been made.

When do I contribute to my HSA account and how often can I?

You, your employer or others can contribute to your HSA account through a payroll deduction. You can contribute as often as you like, provided the annual contribution limits are equal to or the lesser of:

- ◆ \$3,650 for individual coverage or \$7,300 for family coverage

Individuals that are age 55 or older are eligible to make additional contributions up to \$1,000.

How do I pay my physician or network facility at time of service with my HSA dollars?

You may request that the network provider submit your claim to your health plan. You should make sure that your provider has your most up-to-date insurance information. Once the medical claim has been processed, if applicable, out-of-pocket expenses will be billed. At this time you may choose to use your HSA debit card or HSA check to pay for any out-of-pocket expenses, or you may choose to write a personal check and receive reimbursement at a later date.

You should always ask that your medical claim be submitted to the health plan before you seek reimbursement from your HSA. This procedure will ensure that provider discounts are applied.

Also, remember to keep all medical receipts and Explanation of Benefits (EOBs).

What if I have HSA dollars left in my account at year-end?

The money is yours to keep. It will continue to earn interest and will be available for you and your healthcare costs next year.

How do my remaining HSA dollars roll-over at year-end?

Any dollars left in your HSA account at year-end will automatically roll over into next year's HSA account.

What happens to my HSA dollars if I leave my employer?

The funds are yours to keep. You may elect one of the following options:

- ◆ Leave your funds in the current HSA account
- ◆ Transfer your funds to an HSA with your new employer
- ◆ Transfer your funds to another qualified account within 60 days.

Can my HSA dollars be used for retirement health care costs?

Yes, for expenses that are eligible for reimbursement.

Do I need to file any forms with my taxes at year-end?

Yes. You will receive Form 1099 from your HSA bank custodian in January for all distributions from your HSA account the previous calendar year. You or your personal tax preparer will then need to complete and validate on your personal tax return that your distributions were spent either on qualified eligible expenses or non-qualified eligible expenses, and submit your return accordingly to the IRS. To find out more on the tax implications of an HSA, visit www.irs.gov.

Health Savings Account (HSA)

Examples of Eligible Expenses

Your **Health Savings Account** may reimburse:

- ◆ Qualified medical expenses incurred by the account beneficiary and his or her spouse and dependents.
- ◆ COBRA premiums.
- ◆ Health insurance premiums while receiving unemployment benefits.
- ◆ Qualified long-term care premiums*.
- ◆ Medicare and other health care coverage if you were 65 or older (other than premiums for a Medicare supplemental policy, such as Medigap). **Other conditions apply.

Distributions made from an HSA to reimburse the account beneficiary for eligible expenses are excluded from gross income.

Qualified Medical Expenses

The Internal Revenue Service defines **qualified medical care expenses within IRC Section 213(d)**. Medical care expenses are further defined as amounts paid for the diagnosis, cure or treatment of a disease and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate a physical or mental defect or illness. The products and services listed below are examples of medical expenses eligible for payment under your **Health Savings Account**, when such services are not covered by your High Deductible Health Plan. This list is not all-inclusive; additional expenses may qualify and the items listed below are subject to change in accordance with IRS regulations. Please refer to *IRS Publication 502 Medical and Dental Expenses* for a complete description of eligible medical and dental expenses.

Insurance Related Items

- ◆ Co-Payments
- ◆ Deductibles
- ◆ Pre-Existing Condition Medical Expenses
- ◆ Private Hospital Room Differential

Lab Exams/Tests

- ◆ Blood Tests
- ◆ Cardiographs
- ◆ Diagnostic
- ◆ Laboratory Fees
- ◆ Metabolism Tests
- ◆ Spinal Fluid Tests
- ◆ Urine/Stool Analyses
- ◆ X-Rays

Medications

- ◆ Insulin
- ◆ Prescribed Birth Control
- ◆ Prescribed Vitamins (to treat specific disease and not available over the counter)
- ◆ Pre-Natal Vitamins (prescription only)

Obstetric Services

- ◆ Midwife Expenses
- ◆ OB/GYN Exams
- ◆ OB/GYN Prepaid Maternity Fees (reimbursable after date of birth)
- ◆ Post-Natal Treatment/Pre-Natal Treatment (excludes over-the-counter vitamins)
- ◆ Pre-Natal Vitamins (prescription only)

Practitioners

- ◆ Allergist
- ◆ Chiropractor
- ◆ Christian Science
- ◆ Dermatologist
- ◆ Homeopath
- ◆ Naturopath
- ◆ Osteopath
- ◆ Physician
- ◆ Psychiatrist
- ◆ Psychologist

Other Medical Treatments or Procedures

- ◆ Acupuncture
- ◆ Alcoholism (inpatient treatment)
- ◆ Cosmetic Surgery (if medically necessary)
- ◆ Drug Addiction
- ◆ Hearing Exams
- ◆ Hospital Services
- ◆ Infertility
- ◆ In-Vitro Fertilization
- ◆ Norplant Insertion/Removal
- ◆ Patterning Exercises
- ◆ Physical Examination (if not employment related)
- ◆ Physical Therapy
- ◆ Pregnancy Test (over-the-counter)
- ◆ Rolting
- ◆ Smoking Cessation Programs
- ◆ Speech Therapy
- ◆ Sterilization
- ◆ Transplants (including organ donor)
- ◆ Treatment for Handicapped
- ◆ Vaccinations/Immunizations
- ◆ Vasectomy
- ◆ Well Baby Care

Other Medical Equipment, Supplies and Services

- ◆ Abdominal/Back Supports
- ◆ Allergy Medication (OTC – w/prescription)
- ◆ Ambulance
- ◆ Antacids (OTC – w/prescription)
- ◆ Arches/Orthopedic Shoes
- ◆ Cold Medications (OTC – w/prescription)
- ◆ Condoms
- ◆ Counseling
- ◆ Crutches
- ◆ Guide Dog (for visually/hearing impaired)
- ◆ Hearing Aids and Batteries
- ◆ Hospital Bed
- ◆ Learning Disability (special school/teacher)
- ◆ Medic Alert Bracelet or Necklace

- ◆ Mileage to/from Physician Visit at \$.17/mile
- ◆ Oxygen Equipment
- ◆ Pain Relievers (OTC – w/prescription)
- ◆ Prescribed Medical & Exercise Equipment
- ◆ Prosthesis
- ◆ Splints/Casts
- ◆ Support Hose
- ◆ Syringes
- ◆ Transportation Expenses (essential to medical care)
- ◆ Tuition Fee at Special School for Disabled Child
- ◆ Wheelchair
- ◆ Wigs (hair loss due to disease)

Dental Services

- ◆ Crowns/Bridges
- ◆ Dental X-Rays
- ◆ Dentures
- ◆ Exams/Teeth Cleaning
- ◆ Extractions
- ◆ Fillings
- ◆ Gum Treatment
- ◆ Oral Surgery
- ◆ Orthodontia/Braces

Vision Services

- ◆ Artificial Eyes
- ◆ Contact Lenses
- ◆ Contact Lens Solution
- ◆ Eye Examinations
- ◆ Eyeglasses
- ◆ Laser Eye Surgeries
- ◆ Ophthalmologist
- ◆ Optometrist
- ◆ Prescription Sunglasses
- ◆ Radial Keratotomy

For purposes of reimbursement of qualified long-term care premiums from an HSA, reimbursement in excess of the amount which may be deducted on an individual's personal tax return is not an eligible expense. IRC 213(d)(10) establishes the tax deduction allowed from qualified long-term care premiums on individual tax returns. If the HSA reimburses long-term care premiums for an amount greater than set forth in IRC 213(d)(10), the amount greater than allowed is included in the account holder's taxable income and is subject to a 20% penalty. **This brochure is intended for information purposes only and is not to be construed or considered as tax advice or legal counsel as being provided by Benefits 7, Inc. Please consult your tax advisor or legal counsel for specific questions related to your personal circumstances.**

How does it work?

Example:

- HSA beginning balance: \$700
- Deductible remaining: \$3,000

Office Visit:

Office Visit Cost	\$120.00
Insurance Discount	-\$40.00
Patient Responsibility (<i>Deductible</i>)	\$80.00
HSA Dollars Applied	-\$80.00
Deductible Satisfied	\$80.00

Prescription:

Medication Cost	\$25.00
Insurance Discount	-\$10.00
Patient Responsibility (<i>Deductible</i>)	\$15.00
HSA Dollars Applied	-\$15.00
Deductible Satisfied	\$15.00

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- HSA ending balance: \$605.00
 - Deductible remaining: \$2,905.00



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