One of the biggest advantages of an HSA is the ability to make and receive tax-advantaged contributions. Once your health plan coverage begins and your HSA is opened, you can start adding money tax-free to your account, through payroll deductions or through additional deposits whenever you want. There are many reasons your eligibility to make contributions to your Cigna Choice Fund® Health Savings Account (HSA) can change at certain points during the year. Maybe:

› You added or dropped HSA-qualified health plan coverage because you started a new job or enrolled in Medicare.
› You work for an employer who renews benefits mid-year.

As a result, you may need to prorate your HSA contributions.

Prorating contributions

HSA contribution limits are determined on a calendar/tax-year basis. IRS rules state that contributions must generally be prorated by the number of months you are eligible to contribute to an HSA. Your eligibility is based on your coverage status on the first day of the month.

To calculate your personal contribution limit:

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

Example:

You were eligible to contribute to your HSA for four months this year. Your personal contribution limit would be:

\[ \frac{3,500}{12} \times 4 = 1,167 \]

(Based on 2019 individual contribution limits)

Using the last month rule

If you are eligible to contribute to an HSA on the first day of the last month of your tax year (that's December 1 for most taxpayers), you are considered eligible for the entire year, provided you stay enrolled in an HSA-qualified health plan through December 31st of the following year.

Together, all the way.
Catch-up contributions for age 55 and up

Catch-up contributions are also subject to the proration and last-month rules. In general, and unless the last-month rule applies, an individual must be eligible for 12 months to contribute the total annual catch-up contribution ($1,000).

To calculate the catch-up contribution limit:

1. Take the total available catch-up contribution amount ($1,000).
2. Divide that amount by 12.
3. Multiply it by the number of months that you qualify that year.

Example:
You enrolled in Medicare on July 1 and are no longer eligible to contribute to your HSA. Here’s how you would calculate your catch-up contribution:

\[
\frac{1,000}{12} \times 6 = 500
\]

Contributed too much?
If you’ve contributed too much to your HSA, you’ll have until the tax deadline (generally April 15) of the following year to request what is called “an excess contribution distribution.”

Switching medical coverage mid-year
You may also be able to apply the last month rule if you change coverage mid-year.

Example:
You changed medical coverage from individual to family on July 1. You can contribute the full-family maximum amount that year, as long as you maintain family coverage from December 1st through December 31st of the following year.

To calculate your contribution limit you would:

1. Take the total annual individual contribution limit, divided by 12, then multiplied by the number of months you’ll have individual coverage.
2. Add that amount to the number of months you’ll have family coverage, divided by 12, then multiplied by the total annual family contribution limit.

\[
\left(\frac{3,500}{12} \times 6\right) + \left(\frac{7,000}{12} \times 6\right) = 5,250
\]

(Based on 2019 individual and family contribution limits)

We’re here to help.
It’s important to understand your HSA mid-year changes. Cigna is available to help you 24/7/365 when you call the number on the back of your Cigna ID card.