

Health Savings Accounts

Frequently asked questions



This guide offers information on Health Savings Accounts (HSAs) for participants. It is intended for informational use only, is not intended to speak to all situations, and is not a plan document. Neither Voya nor its affiliated companies or representatives provide tax or legal advice. Please consult a tax or legal professional regarding your specific circumstances.

Use the Contents menu toggle to an answer you're looking for.

Health Account Solutions Accounts, including Health Savings Accounts, Flexible Spending Accounts, Commuter Benefits, Health Reimbursement Arrangements, and COBRA Administration offered by Voya Benefits Company, LLC (in New York, doing business as Voya BC, LLC). HSA custodial services provided by Voya Institutional Trust Company. For all other products, administration services provided in part by WEX Health, Inc.

Table of Contents

- Eligibility3
- Contributions and partial-year considerations7
- Distributions10
- Rollovers and transfers12
- Administrators14
- Establishing an HSA15
- COBRA16
- Divorce17
- Employer contributions18
- Estates19
- FSAs and HSAs20
- Medicare, Medicaid and HSAs23
- Special family situations26
- HSA resources27

Eligibility

Am I eligible to open an HSA?

A Health Savings Account (HSA) is a tax-advantaged savings account that can be used to pay for eligible medical expenses. To be eligible to contribute to an HSA, you must be covered under an eligible high-deductible health plan (HDHP), not be enrolled in Medicare and not be claimed as a dependent on someone else's tax return. HSA account holders are responsible for knowing whether their coverage meets the federal definition of an HSA-compatible plan. Contact your medical insurance provider or your employer if you are unsure or need assistance making this determination.

A High Deductible Health Plan typically has a higher deductible and a limit on how much you will pay out of pocket for a deductible or other copayments or expenses. It may provide preventative care with a deductible that includes such things as routine prenatal and well-child care, immunizations, and periodic health evaluations.

For more information around HDHPs and your options, contact your employer or your medical insurance provider.

Minimum Deductible

The Internal Revenue Service (IRS) sets the statutory minimum annual deductible each year.

The 2024 figures are:

Self-only policy	\$1,600
Family policy	\$3,200

Am I eligible to fund an HSA?

Once you are eligible and open an HSA, your eligibility to fund or contribute to your HSA could vary. Eligibility to fund an HSA is affected by a number of factors. Be sure that you understand the rules thoroughly. You may want to consult your personal legal, tax, or financial counselor to assess your situation.

Being eligible to enroll in an HSA-compatible medical plan and being eligible to open and contribute to an HSA are different. Eligibility to enroll in the medical plan is governed by employer and insurer rules, as well as state and federal law. Eligibility to open and fund an HSA is governed by federal tax law.

Eligibility is determined month-by-month, depending on your status as of the first day of the month. If you're eligible on the first day of the month, you can contribute for that month, even if you lose your eligibility a day later. Conversely, if you enroll in an HSA-compatible medical plan and meet all eligibility requirements as of the second day of the month, you don't become HSA-eligible until the first day of the following month.

If you're covered by another medical plan (such as enrollment on a spouse's medical coverage), that plan must also be HSA-compatible. If it's not, you're not eligible to fund an HSA.



You're covered by an HSA-qualified medical plan (see the prior section for more information).



You don't have any additional coverage that's not "permitted" or "disregarded."



You don't qualify as someone else's tax dependent.

Eligibility is determined on an individual basis. It's common for a family to have more than one HSA-eligible members (typically the subscriber and often the spouse) and one or more family members not eligible (typically dependent children).





I have an HRA. Am I eligible for an HSA?

A Health Reimbursement Arrangement, or HRA, is an employer-funded group health plan that will reimburse employees for qualified medical expenses up to a fixed dollar amount annually. The employer funds and owns the HRA. They can also be called Health Reimbursement Accounts. An HRA follows many federal rules specific to medical plans. Therefore, individuals enrolled in an HRA through their employer aren't HSA-eligible unless the HRA itself is an HSA-compatible plan.

Employers can structure their HRAs in a variety of ways. Please reach out to your employer if you have an HRA and wish to know if it's structured to enable you to be eligible to fund or contribute to an HSA.

I'm eligible to receive services from VA or IHS, or I'm enrolled in TRICARE. Am I eligible to fund an HSA?

Individuals eligible for services through the Department of Veterans Affairs (VA) don't lose their eligibility to fund an account merely by being eligible for such coverage. They lose eligibility for three months after receiving care through the VA system unless the care is:

- Select preventive care (see the US Preventive Services Task Force list of preventive services that receive a grade of A or B).
- Diagnosis, treatment, cure, or mitigation of an injury, illness, or condition that's service related.

If you receive care for any other services from VA, you lose your eligibility to fund your account for three full months following the month that you receive care.

Use the Full-Contribution Rule to Increase Your Contribution

The Full-Contribution Rule states that if you become HSA-eligible in mid-year and remain so on December 1 of that year, you can contribute up to the maximum contribution for your contract type as long as you remain HSA-eligible through December 1 of the following year (the "testing period".) If you fail to remain HSA-eligible through the 13-month testing period, any contribution beyond the pro-rated amounts for both years will be included in your taxable income and may also have a tax penalty.

Individuals eligible for services through the Indian Health Service (IHS) don't lose their HSA eligibility merely by being eligible for such coverage. They lose eligibility for three months after receiving care through the system unless the care is preventive.

Individuals enrolled in TRICARE (the program that provides coverage for military personnel, military retirees, certain reservists, and their dependents) are not HSA-eligible because TRICARE doesn't offer an HSA-qualified option. If you retain TRICARE coverage, you're disqualified from funding an HSA, even if TRICARE is secondary coverage and even if you don't receive reimbursements from TRICARE.

I have supplemental insurance (Dental, Vision, Critical Illness, Hospitalization, etc.). Am I eligible for an HSA?

You must be enrolled in a HDHP to be eligible to open and contribute to an HSA. Those individuals who qualify also don't lose eligibility if they're covered by disregarded or permitted insurance.

Disregarded insurance includes:

- Dental
- Vision
- Short-term and long-term disability

Permitted insurance includes:

- Specified disease or illness policies (pay a fixed amount per occurrence)
- Hospitalization policies (pay a fixed amount per day hospitalized or per admission)
- Expenses covered by worker's compensation coverage
- Expenses covered by tort
- Expenses covered by ownership or use-of-property insurance

It's important to note that the law in this area is complicated and this should not be considered legal guidance. You should always consult your own tax and/or legal advisor if you have questions or concerns about your own eligibility.

I'm a tax dependent. Am I eligible for an HSA?

You're not HSA-eligible if you qualify as someone's tax dependent, whether or not that taxpayer claims you as a dependent. Section 152 of the Internal Revenue Code defines a tax dependent.

My employer offers an HSA, and I'm HSA-eligible. Do I have to open an HSA?

You're not required to open an HSA, even if you're HSA-eligible, and even if your company contributes to each eligible employee's account.

Can I have more than one HSA?

Like a 401(k), you can own more than one HSA. An HSA is an individual account owned by a single person. Even though you can reimburse your spouse's and tax-dependent children's eligible expenses tax-free, the account is in your name only. There are no "family" accounts, even if you have family medical coverage.

Contributions and partial-year considerations

What are the basics I need to know about HSA contributions, and how can I contribute?

Eligible HSA account holders can contribute to their HSA up to the annual per-person or family limit set by the IRS.

- There is, in general, no minimum amount that you must contribute.
- If your employer offers the option, you can make pre-tax payroll contributions. That way, you contribute before federal payroll (FICA), federal income, and state income taxes are assessed (except in California and New Jersey, where contributions are subject to state income tax). Your employer may, however, set a minimum contribution amount to elect to contribute through payroll in order to participate in an HSA offered through them.
- Because pre-tax payroll contributions aren't subject to FICA taxes, your taxable income reported for Social Security calculations is reduced by the amount of the pre-tax contributions.
- You can contribute personal funds outside of pre-tax payroll and deduct your contributions on your personal income tax return. You receive credit for your federal and state income taxes paid (except for state income taxes in California and New Jersey), but neither you nor your employer can recover FICA taxes paid.
- You don't make an annual election or contribution commitment to HSA. Even if you contribute through payroll deductions, you can adjust your contributions prospectively at least monthly.
- Anyone can contribute to your account. Unless the contribution comes from your employer, you – not the donor – receive the tax deduction.
- Contributions are not limited to earned income. You can deposit earned income, passive income, personal savings, or gifts into your account.
- Contributions are tracked on the tax (calendar) year, regardless of when your medical coverage renews.
- Contributions – including amounts made by your employer – vest immediately.
- Your annual contribution limits aren't affected by the value of your account or earnings.

How much can I contribute to my HSA?

The IRS sets contribution limits, which are reviewed annually and adjusted for inflation.

The 2024 HSA contribution limits are:

Self-only account	\$4,150
Family account	\$8,300

If you're age 55 or older, you can deposit up to an additional \$1,000 for a "catch-up" contribution annually. This figure isn't adjusted for inflation.

Individuals must make catch-up contributions into an account that they own. Thus, if both you and your spouse are age 55+ and make catch-up contributions, each of you must own an HSA.

Limits include contributions from all sources (typically you and your employer, but others as well, such as gifts).

If both you and your spouse contribute to your own accounts, your combined deposits can't exceed the statutory maximum family contribution, even if you're covered on separate medical plans.

You can contribute for a calendar year up to the latter of the day that you file your personal income tax returns or the due date of those returns (usually April 15 of the following year).

Tip: Indicate to your HSA provider the year to which your deposit should be posted if you're contributing between January 1 and April 15 of the following year for the prior year.

I lost my HSA eligibility before the end of the year. What does that mean for my contributions?

If you lose your eligibility before December 1, you must pro-rate your contribution for that year.

Divide the statutory maximum annual contribution by 12 and multiply by the number of months that you're HSA-eligible as of the first day of the month

If you become HSA-eligible between January 2 and December 1, you can choose one of two approaches:

Option 1: Pro-rate your contribution.

Option 2: Contribute up to the statutory maximum for your policy type. If you fail to remain HSA-eligible through the end of the following calendar year (the "testing period"), your contribution in excess of the pro-rated amount to which you were entitled is included in your taxable income and you pay an additional 6% excise tax annually on the amount of the excess contribution.

If you exceed your contribution limit for a year, you can avoid the excise tax by removing the excess amount and any earnings associated with it and including that amount in your taxable income for that year. You must withdraw the excess contribution before the due date of your income tax return.

How is my contribution limit affected if I lose my eligibility during the year?

You must pro-rate your contribution based on the number of months during which you were HSA-eligible as of the first day of the month.

Example: You enroll in Medicare Part A (a disqualifying event) effective November 1. You were covered on a self-only contract during the first 10 months of the year. "If you are planning to contribute the maximum allowed," your maximum contribution for 2024 is 10/12 of \$4,150, or \$3,458.33. In addition, assuming you're 55 or older, you can contribute 10/12 of \$1,000, or \$833.33. Total 2024 contribution if you're 55 or older: \$4,291.66.

How is my contribution limit affected if I become HSA-eligible during the year?

If you enroll between January 2 and December 1, you can adopt one of two approaches:

Pro-rate: You can pro-rate your contribution based on the number of months that you were HSA-eligible, as outlined above.

Example: If you start a new job October 15, enroll in an HSA-qualified medical plan immediately and meet all eligibility requirements, you aren't HSA-eligible until November 1. You can contribute no more than 2/12 of the \$4,150 annual maximum (self-only contract), or \$691.66. The comparable figure for family coverage is \$1,383.33.

Last-Month Rule: If you become eligible by December 1, you can contribute up to the limit for the calendar year (in our example, up to the full \$4,150 rather than only \$691.66). You must remain HSA-eligible through the "testing period" (through the end of the following calendar year). If you lose eligibility before the end of the testing period for any reason other than disability or death, any contributions in excess of the pro-rated amount (up to \$3,458.67) are included in your taxable income and subject to an additional 10% penalty unless you lose HSA eligibility during the testing period as a result of disability or death.

How is my contribution limit affected if I switch from self-only to family coverage during the calendar year?

See the answer above. You can add your monthly contribution limits or use the Full Contribution Rule to make a full family contract contribution and maintain coverage through the testing period.

Example: You're under 55 and have self-only coverage through your May 6, 2024 wedding, then family coverage for the remainder of the year:

Pro-rate: Contribute up to the monthly maximum of \$345.83 per month for a self-only contract (\$4,150/12 months) for January through May (total \$1,729.16) and the monthly maximum of \$691.66 for a family contract (\$8,300/12 months) for June through December (total \$4,841.67), for a total of \$6,570.83 You face no testing period if your contribution doesn't exceed this amount.

Full Contribution Rule: You contribute up to the family contract maximum of \$8,300. If you don't remain HSA-eligible through December 31, 2025 (the testing period), any 2024 contribution in excess of \$6,570.83 (the pro-rated maximum) is included in your taxable income and subject to an additional 10% penalty unless you die or are disabled.

How is my contribution limit affected if I switch from family to self-only coverage during the calendar year?

You must pro-rate your contribution, since you don't have family coverage as of December 1. If you cover yourself and a child and the child ages off the medical plan July 31, you can make up to seven months of family contribution (\$4,841.67) and up to five months of self-only contributions (\$1,729.17) for a maximum of \$6,570.83 for the year. You face no testing period.

Table of Prorated HSA Contributions for 2024					
Month Eligible	Self-Only Under 55	Self-Only 55 Plus	Family Under 55	Family Plus-55	Catch-up Only
1	\$345.83	\$429.17	\$695.83	\$779.17	\$83.33
2	\$691.67	\$858.33	\$1,391.67	\$1,558.33	\$166.67
3	\$1,037.50	\$1,287.50	\$2,087.50	\$2,337.50	\$250.00
4	\$1,383.33	\$1,716.67	\$2,783.33	\$3,116.67	\$333.33
5	\$1,729.17	\$2,145.83	\$3,479.17	\$3,895.83	\$416.67
6	\$2,075.00	\$2,575.00	\$4,175.00	\$4,675.00	\$500.00
7	\$2,420.83	\$3,004.17	\$4,870.83	\$5,454.17	\$583.33
8	\$2,766.67	\$3,433.33	\$5,566.67	\$6,233.33	\$666.67
9	\$3,112.50	\$3,862.50	\$6,262.50	\$7,012.50	\$750.00
10	\$3,458.33	\$4,291.67	\$6,958.33	\$7,791.67	\$833.33
11	\$3,804.17	\$4,720.83	\$7,654.17	\$8,570.83	\$916.67
12	\$4,150.00	\$5,150.00	\$8,350.00	\$9,350.00	\$1,000.00

Distributions

When can I withdraw or use funds from my HSA? Which expenses are eligible for reimbursement?

Once money is in your account, it's yours to manage. You can withdraw funds from your HSAs at any time to help pay for eligible expenses. You may be able to use funds to pay for an eligible expense directly with an HSA debit card or you may wish to request a reimbursement from your account when you've paid for an eligible expense with other means. If the distribution is to reimburse eligible expenses incurred by certain family members during an eligible time period, it's tax-free. Funds used for things other than eligible expenses are taxable and subject to an additional 20% tax penalty.

Current tax law doesn't limit the dollar value of distributions in any given year. You can withdraw up to the balance in your account.

Eligible Time Period

You can reimburse tax-free any eligible expense once you've established your account.

Check with your account provider to determine when you established your HSA. This determination follows the state trust law of the state that governs your account, and those rules differ from state to state. In most cases, you establish your account when the initial deposit is posted to it.

You can't reimburse tax-free an expense incurred before you establish your account.

Once you establish your account, you can continue to make tax-free distributions for eligible expenses, even when you're no longer HSA-eligible, until you exhaust your balance.

Eligible Family Members

You can reimburse tax-free eligible expenses incurred by you, your spouse, and your tax dependents when they have this status as of the date of the expense.

You can reimburse your spouse's and tax dependents' eligible expenses whether or not they're HSA-eligible or enrolled on your medical plan.

You can't reimburse tax-free a domestic partner's, ex-spouse's, or non-dependent child's eligible expenses from your account, even if they're enrolled on your medical plan.

Eligible Expenses

Examples of Health-related expenses eligible for tax-free reimbursement include:

- Medical insurance cost-sharing (copays, deductibles, and coinsurance)
- Medically necessary care not covered by the medical plan
- Medication (prescription and over-the-counter)
- Insulin and related diabetic supplies
- Non-cosmetic dental services, including orthodontia
- Non-cosmetic vision services and hardware, including vision correction surgery
- Over-the-counter drugs and medicine (prescription no longer required)
- Over-the-counter medical equipment and supplies, including menstrual products

You can reimburse certain insurance premiums tax-free from your account, including:

- Medical plan premiums, but only when you continue employer-based coverage through COBRA or are collecting unemployment benefits
- Long-term care insurance premiums at any age (subject to IRS limitations)

For a more comprehensive list of which expenses are eligible (and some that aren't), read IRS Publication 502, published annually. This booklet lists services eligible for the federal tax deduction.

What happens if I withdraw funds for expenses that aren't HSA-eligible?

You can make distributions from your HSA at any time for any purpose. Withdrawals for expenses that aren't HSA-eligible are included in your taxable income in the year of distribution and are subject to an additional 20% tax penalty. Exception: The additional 20% tax isn't assessed for non-eligible expenses once you reach age 65, are disabled, or die.

Do I have to submit receipts to withdraw funds from my HSA?

You're not required to substantiate your distributions to show that you withdrew funds only for eligible expenses. You self-report your activity on your personal income tax return and are advised to retain receipts in case the IRS audits your tax return.

Neither your account provider nor your employer can require you to substantiate any withdrawal from your account. Your HSA is your personal account, and you alone are responsible for managing it in accordance with federal tax law.

What happens if I make a withdrawal by mistake?

Your account provider can help you reverse a mistaken distribution by returning the funds to your account without taxes or penalty, as long as you return the funds before you file your personal income tax return for that year.

Rollovers and Transfers

Can I move funds from one of my HSAs to another?

Yes. You have two choices in moving funds from one HSA to another:

Trustee-to-Trustee Transfer: You instruct one trustee to request funds from another trustee. You never take possession of the funds. You can make an unlimited number of trustee-to-trustee transfers, which don't constitute a taxable event.

Rollover: You request a distribution from one trustee and take possession of the money. You must then deposit the funds into another HSA within 60 days, or the entire distribution is included in your taxable income and subject to an additional 10% penalty if you're not age 65 or disabled. You can complete one rollover between HSAs per year.

I had an HSA years ago, then lost my eligibility to fund it. Now I'm enrolling in my employer's HSA. Can I roll those funds into my new account?

Yes. You can close the old HSA and instruct the administrator to transfer your balance to your new account. Ask your new administrator or visit its website to learn more.

Is there a cost associated with closing an old HSA and rolling over the balance to the new HSA?

Some administrators may charge an account-closing fee to close the old HSA and send the funds to the new administrator. An alternative is to spend down the balance in the old HSA as you fund the new account. That way, you enjoy the benefits of pre-tax or tax-deductible contributions and tax-free distributions without incurring an account-closing fee.

Can I roll over balances from a Medical Savings Account to my HSA?

Yes. If you own an MSA (a forerunner of HSAs) and have a balance, you can roll those funds into your HSA. The rollover isn't a taxable event. You don't have to be HSA-eligible to execute the rollover.

Do I have to close my old HSA?

No. You can maintain more than one HSA. But owning more than one HSA doesn't increase the amount that you can contribute, nor does it expand the range of expenses that you can reimburse or the family members whose eligible expenses you can reimburse tax-free.

What happens if I had a gap of more than 18 months without a balance?

Since you no longer have a balance in this account, you can't reimburse any eligible expenses that you incurred before you established your new account. You can't use contributions to your new HSA to reimburse any expenses that you incurred prior to establishing the new account.

What if I've dropped HSA-compatible medical coverage and then re-enrolled several times?

You start from the time that you established your most recent HSA, then work backward. If you never had a gap of more than 18 months with no balance, you can reimburse tax-free all eligible expenses that you incurred from the time that you established your first HSA. If there is a gap of more than 18 months, you can reimburse only eligible expenses tax-free that you incurred after you established the HSA following that gap of 18 months or more.

Can I make contributions greater than the statutory maximum if I have a large amount of prior eligible expenses that I can reimburse this year, now that I'm eligible to contribute to an HSA again?

No. You can't contribute more than the statutory maximum for your contract type (plus the \$1,000 catch-up contribution, if you're age 55 or older) during any year. But you can use contributions in subsequent years to reimburse those older eligible expenses. Your reimbursement window doesn't close after the first year that you're eligible once again to fund an HSA.

Is there anything that I can do proactively to protect a future opportunity to reimburse eligible expenses tax-free?

Yes. If there's a possibility that you'll become HSA-eligible again in the future (you're changing medical plans rather than, for example, enrolling in Medicare), you should make sure that you always maintain a balance in an old HSA.

Can I move funds from my HSA to an HSA that someone else owns?

You can't move money from your account to one owned by another person without making a distribution subject to taxes and penalties.

Exception: A one-time move of funds as part of a divorce settlement to your ex-spouse's HSA or upon your death to your spouse's account if you named your spouse as the beneficiary.

Can I move funds from a Health FSA or HRA to my HSA?

No. You can't roll over funds from a Health FSA or an HRA to an HSA.

Can I roll over funds from a retirement account to an HSA?

Yes, but only from a single Individual Retirement Arrangement (IRA). You can make a one-time rollover from an Individual Retirement Arrangement (IRA) to an HSA.

You're limited to one rollover per lifetime. (Exception: If you make a contribution when covered by a self-only contract and then transition to a family contract during the same year, you can make a second rollover up to a total of the statutory contribution limit for a family contract.)

You must remain HSA-eligible for a full 12 months (the "testing period") following the month of the rollover. If you lose eligibility during the testing period, the entire rollover is considered a premature IRA withdrawal. It's included in your taxable income in the year that you lose eligibility and is subject to an additional 10% tax (unless you lose eligibility due to your or death).

See IRS Notice 2008-51 for more information. You should discuss your situation with your legal, tax, or financial counsel before moving balances to make sure that the rollover is appropriate given your situation and ensure that you follow all applicable rules.

For more information about IRA-to-HSA rollovers, read IRS Notice 2008-51 at www.irs.gov.

Administrators

What does my HSA administrator do for me?

HSA trustees or custodians are IRS-approved financial institutions that hold your account balances.

An HSA Administrator manages the administration of the plan (mainly customer service and record keeping). Often the trustee serves as the administrator, although it's not unusual to have an administrator service the account and a trustee financial institution hold balances.

HSA Administrators treat the account like a tax-advantaged checking account. Your trustee or administrator provides general information but doesn't offer legal, financial, or investment advice. Some offer access to an investment advisory service staffed by licensed investment professionals, and some providers' investment platform partners offer this service.

HSA Administrators are responsible for maintaining basic banking services for you, typically including:

- A cash account, usually FDIC-insured
- Debit card (often restricted to merchants most likely to sell eligible items and services)
- Another means of withdrawing funds (usually online bill pay, self-reimbursement or, increasingly less frequently, paper checks)
- Monthly statements and annual tax statements
- Online account access (including mobile application)
- Customer service (toll-free phone, e-mail, text, live online chat)
- Investment options

HSA Administrators charge monthly administrative fees, which are paid by you or your employer. Fees are often waived when your cash balance or your total assets under management exceed a certain figure.

HSA Administrators aren't responsible for ensuring that you don't exceed your annual contribution limits. They typically set their systems not to accept contributions in excess of the statutory maximum annual contribution limit. They typically don't know, however, whether you have contributed to a second account, or lost your eligibility to fund your account during the year.

Establishing an HSA

What does it mean to establish an HSA?

An HSA is a trust, and an HSA has to be established, usually that is as of the date the account is opened, but there are potential exceptions to that.

Section 223 of the Internal Revenue Code (IRC), the part of tax law that authorizes HSAs, refers to establishing an HSA as a key activity with respect to contributions and distributions. The law doesn't specify how an account holder establishes their account. The Internal Revenue Service (IRS) defers to state tax law to determine when an account is established. Most states require that to establish a trust, an individual must:

- Signal an intent to open a trust
- Name a beneficiary
- Place corpus or (something of value) into the trust

Until you become HSA-eligible and establish it, you can't withdraw balances. Also, you can't reimburse tax-free from your HSA any qualified expenses with a date of service before the date that you establish your account. Even if those qualified expenses are cost-sharing associated with your HSA-qualified medical plan and you incur them after you're eligible to open an HSA.

When can I establish my HSA?

You can establish your account in accordance with the trust laws of the state that governs your account. Under the estate laws of 49 states, you can establish your HSA at any point after you become HSA-eligible. Owners of HSAs governed by Utah can establish their HSAs retroactively to the date that they first enroll in an HSA qualified medical plan, even if they're not yet HSA-eligible. In that case, they can establish an HSA but can't reimburse qualified expenses tax-free before they become HSA-eligible under federal law **AND** establish the account under the applicable state law.

When is my HSA established?

Under the trust laws of most states, you establish your account as of the date that the first deposit is posted.

Example: I'm HSA eligible July 1, but my first payroll deposit doesn't go to my HSA administrator until July 11.

Under the trust law of most states, your HSA isn't established until July 11 and you can't reimburse tax-free eligible expenses incurred beforehand. Utah trust law allows your administrator to establish your account as of July 1 in this situation, as long as you meet all federal HSA eligibility requirements by that date.

COBRA

Can I pay my COBRA medical premiums tax-free from my HSA?

Yes. You can make tax-free distributions from your HSA to pay medical premiums when you continue coverage through COBRA or are collecting unemployment benefits.

If I leave my employer, do they still contribute to my HSA if I'm on COBRA?

Please reach out to your employer or former employer if you have questions about this.

If I continue medical coverage through COBRA, can I continue to make HSA contributions?

Yes. HSA eligibility isn't tied to employment. If you're covered by an HSA-qualified medical plan and meet other HSA eligibility requirements, you can fund your account with tax-deductible contributions.

I made pre-tax payroll contributions to my HSA. Now I've left the company and can't make additional contributions through payroll, since I'm no longer on the payroll. Do I lose tax advantages?

You can make personal contributions to your HSA and deduct those contributions from your adjusted gross income when you file your personal income tax return. When you do so, your taxable income is reduced dollar-for-dollar. You aren't able to recapture FICA taxes paid when you received the income, however.

If I enroll in a non-group plan through the ACA Marketplace that is not COBRA and still pay premiums tax-free from my HSA?

You can enroll in the nongroup plan, but you can't pay your premiums with tax-free HSA distributions unless you're collecting unemployment benefits. If you leave your job voluntarily, aren't eligible for unemployment benefits, and purchase coverage other than COBRA continuation, any distributions from your HSA to pay medical insurance premiums are included in your taxable income (and subject to an additional 20% tax penalty if you're under age 65 and not disabled).

If I continue coverage through COBRA, can I still make tax-free distributions for eligible expenses? If I don't elect COBRA continuation, can I make tax-free distributions for qualified expenses?

The answer to both questions is "yes."

Divorce

Can I reimburse my ex-spouse's eligible expenses tax-free from my HSA?

No. Your ex-spouse's expenses incurred after a court order of separate maintenance (or the legal equivalent in your jurisdiction) aren't eligible for tax-free reimbursement from your account. If made, these distributions are included in your taxable income and subject to an additional 20% tax unless you're age 65 or older or disabled.

I'm required by court order to keep my ex-spouse on my medical plan and pay their out-of-pocket expenses. Can I reimburse their eligible expenses tax-free from my HSA with this court order?

No. Federal tax law says that your ex-spouse's expenses aren't eligible for a tax-free distribution from your account.

My ex-spouse claims our children as dependents some years or all years. Can I reimburse their eligible expenses tax-free from my account?

Generally, yes. IRS guidelines allow parents to reimburse their children's eligible expenses tax-free from either parent's HSA, regardless of which parent claims the children as tax dependents in a given year. Please reference the rules in the IRS Publication 969.

As part of the divorce settlement, I have to transfer half my HSA balance to my ex-spouse. How does that work?

Your ex-spouse can open their own HSA with an administrator of their choice. They don't need to be HSA-eligible to open an account for the sole purpose of receiving a rollover from an ex-spouse's HSA balance by court order as part of a divorce settlement.

This rollover isn't a taxable event for either party. Once the rollover is executed, your ex-spouse can reimburse their own and their tax dependents' qualified expenses tax-free from their account. They can make contributions only if they're HSA-eligible.

My ex-spouse and I reconciled, and now we've remarried. What expenses of theirs can I reimburse tax-free from my HSA?

You can reimburse tax-free eligible expenses that they incur on or after your second wedding day. In addition, you can reimburse tax-free eligible expenses that they incurred before you received a court order of separate maintenance (or the legal equivalent in your jurisdiction) as the start of your divorce proceedings.

You can't go back and reimburse tax-free any qualified expenses that they incurred from the issuance of the court order of separate maintenance to begin your divorce to the day before your remarriage. Any distributions for those expenses are included in your taxable income, plus you're assessed an additional 20% tax unless you're age 65 or older, or disabled.

Employer Contributions

Does an employer have to contribute to employees' HSAs?

No. Employer contributions are optional.

What happens to employer contributions if an employee subsequently leaves employment?

Contributions vest immediately. All employer contributions become property of the employee when they are deposited in the account. An employer can't calculate a pro-rated amount and withdraw that amount from a departing employee's account or withhold that amount from the final paycheck. The employer can request that the administrator return employer contributions only if:

1. The employee was never HSA-eligible
2. The employer contribution alone exceeds the employee's statutory maximum annual contribution for the calendar year

Must employer contributions be uniform per pay period?

No. Employers determine the amount and timing of their contributions. Please reach out to your employer if you have questions or need additional information.

Estates

What happens to my HSA when I die?

Your HSA is a trust that you own. Because HSAs are trusts, they have the potential to outlive their owner, and balances can be passed to one or more beneficiaries designated by the owner.

What are the tax consequences to the beneficiary of my HSA?

It depends on whom you designate as the beneficiary. If you name your spouse, the account passes intact to them (whether or not they're HSA-eligible). They then use the HSA on the same terms and conditions, with the same benefits and responsibilities, as you or any other HSA owner.

If you name any other individual or entity as your beneficiary, your account still avoids probate. Your executor directs liquidation of the balance, and assets are distributed to your beneficiary. Your beneficiary may incur a tax liability. Because the account is no longer an HSA, your beneficiary doesn't enjoy the tax advantages associated with an HSA and faces no additional tax consequences when spending the money.

What happens if I don't name anyone as a beneficiary, or my beneficiary isn't able to inherit the account?

Your account is liquidated and becomes part of your estate. Funds are distributed according to your estate plan (or, if you die intestate, the laws of the state that govern your estate).

Can my heirs pay my eligible expenses from my HSA after I die?

Yes. Your heirs can reimburse tax-free any eligible expenses that you incurred prior to your passing. The estate has up to one year from the date of your death to make these distributions.

If my surviving spouse inherits my HSA, do they face any mandatory distributions at a certain age, as they do with a traditional 401(k) plan or traditional IRA?

No. HSA owners never face mandatory distributions (called Required Minimum Distributions, or RMDs), as owners of 401(k) plans and traditional Individual Retirement Arrangements (IRAs) are required to make.

Whose expenses can my surviving spouse reimburse tax-free from their inherited HSA?

They can reimburse their own and their tax dependent's eligible expenses tax-free. If they remarry, they can reimburse their new spouse's eligible expenses tax-free, as long as the expenses are incurred on or after their wedding day. They can also reimburse their new spouse's tax dependents' (typically minor children) eligible expenses tax-free from their account as long as they're also their tax dependents and they incur the eligible expenses on or after the wedding day.

FSAs and HSAs

A Flexible Spending Account (FSA) is an account in which you can contribute funds on a pre-tax basis for certain health care and dependent care expenses. There are three types of FSAs: Health FSA, Limited Purpose FSA and Dependent Care FSA. Unlike the HSA, FSA account holders are not required to be enrolled in a certain type of health plan. While we are sharing some of the details here, there are other differences that you should be aware of and we encourage you to speak to your employer if you have questions about your own account options and eligibility.

I have a Health FSA. Does this affect my eligibility to fund an HSA?

Yes. Health FSAs follow many of the same Internal Revenue Service (IRS) regulations as medical plans. Your Health FSA is considered an additional medical plan. Unless all your coverage is HSA-qualified, you're disqualified from opening or contributing to an HSA. You can't open and contribute to an HSA during any month that you participate in a general Health FSA, even if you're also enrolled in an HSA-qualified medical plan and meet all other eligibility requirements.



Federal tax law treats a Health FSA (otherwise referred to as a flex plan and sometimes nicknamed a Section 125 plan or Cafeteria plan) as a medical plan.



If you can reimburse eligible expenses from your own, your spouse's, or a parent's Health FSA, you're not HSA-eligible (unless the Health FSA is designed narrowly, as described below).



A Health FSA represents a 12-month (or longer) commitment. If you or your spouse participate in a Health FSA, you generally can't cancel your Health FSA mid-year, and you don't cease to be covered by that Health FSA once you spend your entire annual election.



A Health FSA is a "use it or lose" it account, meaning while you allocate your desired amount annually, anything that is not used at the end of your plan year or grace period (if available) is forfeited.

If I spend my entire balance before the end of the general Health FSA plan year, do I become HSA-eligible as of the date that I have a zero balance?

No. You remain covered by your Health FSA during the full Health FSA plan year, even after you spend your entire election. You can't become HSA-eligible when you maintain disqualifying coverage, even with no benefit (balance) remaining in your Health FSA.

My general Health FSA runs on a calendar year. Our medical plan renews May 1. Can I disenroll from my Health FSA at the end of April so that I'm HSA-eligible May 1?

No. Enrolling in an HSA-qualified medical plan is not a qualifying event that allows you to disenroll from your Health FSA. You remain enrolled in the Health FSA until the end of the plan year (December 31 in this example). You can enroll in the HSA-qualified medical coverage to take advantage of the lower premium, but you can't open and fund an HSA before January 1 (in our example) at the earliest.

In the meantime, you can continue to spend your Health FSA balances for eligible expenses, including your out-of-pocket expenses (deductibles, copays, and coinsurance) associated with your HSA-qualified medical plan. You can't increase your Health FSA election on your medical plan anniversary to reflect these higher out-of-pocket costs.

My spouse is enrolled in their employer's general Health FSA. That doesn't disqualify me from funding my HSA, does it?

It does. Health FSAs follow the same federal eligibility rules as medical plans. Under federal tax law, the employee (subscriber), spouse, and children to age 26 (whether or not they remain the parent's tax dependent) are enrolled in the Health FSA automatically and can reimburse their eligible expenses from the plan. You're covered under your spouse's Health FSA (unless that employer excludes spouses from coverage, which is extremely rare) and thus can't become HSA-eligible before the end of his Health FSA plan year. You can still enroll in your employer's HSA-qualified medical plan, and you and your spouse can reimburse any qualified expenses, including your medical plan cost-sharing, from their Health FSA.

My Health FSA has a grace period. Does this impact my eligibility to fund an HSA?

If the Health FSA has a two-and-a-half-month grace period, you must spend your entire election before the end of the 12-month plan year (unless your employer agrees to make the grace period a Limited-Purpose Health FSA for all participants). Otherwise, you can't open and fund your Health Savings Account until the first full month after the end of the grace period.

If the Health FSA allows carryover of up to \$610 of unused funds into the following year, you must either:

- Spend your entire election before the end of the 12-month plan year.
- Forfeit the rollover, or
- Have your employer carry over the unused balance into a Limited-Purpose Health FSA, otherwise you can't open or fund an HSA during the entire new FSA plan year. If you're enrolled on an HSA-compatible medical policy and aren't HSA-eligible because of your (or your spouse's or parent's) enrollment in a Health FSA, you can reimburse your out-of-pocket under the HSA-compatible plan with your remaining Health FSA balances.

Are there any Health FSA plan designs that allow me to fund an HSA?

Yes. You can have a Limited-Purpose Health FSA (LP Health FSA) and still fund an HSA. This design limits reimbursement to eligible dental and vision services (plus select preventive services that aren't covered in full).

My (or my spouse's) general Health FSA has a grace period. How does that feature affect my HSA eligibility?

The grace period provision allows you to continue to incur and reimburse eligible expenses for up to 2 1/2 months after the end of the 12-month Health FSA plan year. To ensure that you're HSA-eligible as of the first day following the end of the 12-month Health FSA plan year, you must exhaust your entire election and file for all reimbursements before the end of the 12-month plan year. In other words, if your plan ends December 31 with a grace period through March 15, you must spend your entire election and file for all reimbursements by December 31 to become HSA-eligible on January 1.

My (or my spouse's) general Health FSA allows a carryover of up to \$610* into the following plan year. How does that feature impact my HSA eligibility?

Be aware that this feature can lock you out of opening and funding an HSA for a full 12 months. You can avoid the HSA eligibility issue by spending your entire balance and submitting all claims before the end of the plan year. If you carry a balance at the end of the Health FSA plan year, you can forfeit the remaining balance. Alternatively, your employer can carry over your balance into a Limited-Purpose Health FSA for the following plan year, allowing you to spend the carryover balance on eligible dental and vision expenses only and thus become HSA-eligible immediately. Employers who offer HSA-qualified medical plans typically provide this option.

* Health FSA maximum carryover limit from 2023 into 2024

Please note: This option is different from the grace period. Because the carryover provision rolls those funds into a new plan year (rather than an extension of the old plan year, as the grace period does), your employer can choose whether the funds carry over into a new general or new Limited-Purpose Health FSA. Your spouse's employer may not offer this option, especially if that company doesn't offer an HSA to its employees. In that case, you must spend the entire election before the end of the plan year to become HSA-eligible.

Does my election to a Dependent Care FSA affect my HSA eligibility?

No. Since Dependent Care FSAs don't reimburse medical expenses, they don't affect your eligibility to open and fund an HSA.

Medicare, Medicaid and HSAs

Do I lose my eligibility to fund an HSA at 65?

No. You can open and fund an HSA at age 65 or later if you meet HSA eligibility requirements

Turning 65 does not, in and of itself, prevent you from remaining HSA-eligible absent any disqualifying coverage.

Does enrollment in Medicare affect my HSA eligibility?

Yes. If you're enrolled in any Part of Medicare, you're not able to contribute funds to an HSA because you cannot have any health insurance other than a high deductible health plan. However, you can continue to use any funds that are already in your HSA. You just can no longer contribute.

Your spouse or other family member can be enrolled in one or more Parts of Medicare without affecting your HSA eligibility, since Medicare offers only individual – not family – policies.

For more information on Medicare enrollment, refer to Medicare & You 2021 (available online) or call the Social Security Administration customer service center at 1-800-772-1213.

Are Medicare premiums eligible for reimbursement?

You can't reimburse your own or your spouse's Medicare premiums tax-free until you, the account owner, turn age 65. After that point, you can reimburse the following premiums:

Medicare Part B (outpatient services) and Part D (prescription drugs) premiums, plus Part A (inpatient services) if you don't receive this coverage at no cost

- Medicare Advantage (Part C) premiums

If my spouse and I are enrolled on my employer's HSA-qualified plan and I enroll in Medicare, can my spouse open an HSA?

Yes (if they are otherwise HSA-eligible). Individuals don't have to be the medical plan subscriber to be HSA-eligible. You or your spouse can then make tax-deductible contributions into their account, up to the family maximum if you remain covered on a family contract (even only if they are HSA-eligible). This provision in the law allows some couples to continue to fund an HSA (and build tax-free balances for distribution in retirement) for several years after the older spouse enrolls in Medicare eligibility requirements.

Can I continue to contribute to my HSA once I'm re-enrolled in Medicare?

No. You lose HSA eligibility once you enroll in Medicare, so you can't make additional contributions. You can contribute for months that you were eligible before you enrolled in Medicare.

Can I contribute to my spouse's account if I'm enrolled in Medicare and no longer HSA-eligible?

Yes. If your spouse is HSA-eligible and has an HSA, you – or anyone else – can contribute to their HSA.

I'm no longer eligible to make HSA contributions. Can I make tax-free distributions for eligible expenses?

Yes. You must be HSA-eligible to fund your HSA. Once you open an account, you can make tax-free distributions for eligible expenses as long as there are funds in the account.

Which expenses can I reimburse tax-free from my HSA once I'm enrolled in Medicare?

You can still reimburse tax-free all eligible out-of-pocket expenses not reimbursed by insurance or other sources.

Whose eligible expenses can I reimburse tax-free from my HSA?

You can reimburse your own, your spouse's, and any tax dependents' eligible expenses tax-free from your HSA. These other family members need not be HSA-eligible themselves or covered on your medical plan for you to withdraw funds tax-free from your HSA to reimburse their eligible expenses tax-free.

Please Note: You can't reimburse your own or anyone else's Medicare premiums tax-free until you, the account owner, turn 65. If you have an older spouse and want to reimburse their Medicare premiums tax-free, they must open an HSA (if they're eligible to do so) before they enroll in Medicare. They can then contribute at least the \$1,000 annual catch-up to cover their Medicare premiums until you turn 65 and can reimburse their premiums tax-free from your HSA. In addition, when you're both HSA-eligible and covered on a family HSA-qualified medical plan, you can split the \$7,750 (2023 figure) family maximum contribution between your two HSAs as you wish. Once you turn 65, you can reimburse your own and your spouse's Medicare premiums tax-free.

My spouse and I both own HSAs. Do we have to limit distributions from each to our own expenses?

No. You can reimburse each other's eligible expenses from your respective accounts as long as you remain married. You can't combine accounts.

Can I make tax-free distributions from my HSA for non-eligible expenses when I turn 65?

No. After age 65, distributions for non-eligible expenses are treated like taxable income, putting these withdrawals on par in terms of tax treatment with distributions from a traditional 401(k) plan or traditional IRA. Once you turn 65 or meet Social Security's definition of disabled, distributions for non-eligible items are not subject to the 20% additional tax (penalty) otherwise assessed on withdrawals for non-eligible expenses.

If I pass away first, can my HSA continue to reimburse my spouse's qualified expenses tax-free?

You name a beneficiary when you open your account, and you can change the designation at any time. If you name your spouse as beneficiary upon your death your HSA passes to them with balances and tax advantages intact. They can then reimburse their own eligible expenses tax-free. In addition, if they remarry, they can reimburse their new spouse's eligible expenses tax-free.

If you name any other person or entity as the beneficiary, the HSA is liquidated and the assets pass to that person or entity, who may incur a tax liability. That beneficiary doesn't get the tax benefits and isn't constrained by HSA rules.

Does enrollment in Medicaid affect my HSA eligibility?

Medicaid is a joint federal and state program that provides health coverage to individuals with disabilities. If you're enrolled in Medicaid or any other form of public coverage, you are unable to contribute funds to an HSA because to contribute to an HSA you cannot have any health insurance other than a high deductible health plan. However, you can continue to use any funds that are already in your HSA. You just can no longer contribute.

Your spouse or other family member can be enrolled in Medicaid or another form of public coverage without affecting your eligibility to make and receive contributions to an HSA since these programs offer only individual – not family – policies.

Special family situations

I cover my domestic partner or ex-spouse on my HSA-qualified plan. Can I reimburse their eligible expenses tax-free from my HSA?

No. HSAs follow federal tax rules. You can reimburse only your own, your spouse's, and your tax dependents' eligible expenses tax-free from your account. Any distributions for qualified expense incurred by a domestic partner or ex-spouse, unless they are your tax dependent (not common, and generally a result of the partner's disability) are included in your taxable income. Your distribution is also subject to an additional 20% tax (penalty) unless you're at least 65, are disabled, or die.

Can I contribute to my domestic partner's or ex-spouse's HSA?

Yes. Anyone can contribute to anyone else's account. Unless it's an employer contribution, the account owner receives the tax deduction, regardless of who actually makes the contribution. Thus, your domestic partner or ex-spouse will deduct the contribution on their personal income tax return.

What if my domestic partner or ex-spouse isn't HSA-eligible? Will this strategy still work?

No. If your domestic partner or ex-spouse isn't HSA-eligible, they can't open their own account. No one will be able to reimburse their qualified expenses tax-free from an HSA.

I also have a Limited-Purpose Health FSA. Can I reimburse my domestic partner's or ex-spouse's qualified dental and vision expenses tax-free from it?

No. The same restrictions apply to a Health FSA, which is also governed by federal tax law. You can't reimburse a domestic partner's or ex-spouse's qualified expenses from a Health FSA. And because a Health FSA is an employer-sponsored plan, your domestic partner or ex-spouse can't open one on their own. They can, however, participate in their company's Health FSA if it offers this benefit.

Can my adult child who's covered on my HSA-eligible medical plan but who's no longer a tax dependent open their own HSA?

Yes, as long as they meet all eligibility requirements. They don't have to be a plan subscriber to be HSA-eligible.

I still cover my adult child on my HSA-qualified medical plan, but they're no longer my tax dependent. Can I reimburse their qualified expenses tax-free from my HSA? Is this rule different from my Health FSA?

No. You can't reimburse any qualified expenses that your child incurred on or after the date that they no longer qualify as your tax dependent. Any distributions thereafter from your HSA for your child's qualified expenses are included in your taxable income and subject to an additional 20% tax unless you are 65, are disabled, or die.

Where can I find more information on HSAs?

Here are some good sources of information about HSAs:

- IRS Publication 969 (published annually) – Information for taxpayers about HSA eligibility, contributions, and distributions.
- IRS Publication 502 (published annually) – List and description of eligible expenses, a discussion of health-related items not eligible for tax-free reimbursement, and information about tax dependents.



This guide offers information on Health Savings Accounts (HSAs) for participants. It is intended for informational use only, is not intended to speak to all situations, and is not a plan document. Neither Voya nor its affiliated companies or representatives provide tax or legal advice. Please consult a tax or legal professional regarding your specific circumstances.

Health Account Solutions Accounts, including Health Savings Accounts, Flexible Spending Accounts, Commuter Benefits, Health Reimbursement Arrangements, and COBRA Administration offered by Voya Benefits Company, LLC (in New York, doing business as Voya BC, LLC). HSA custodial services provided by Voya Institutional Trust Company. For all other products, administration services provided in part by WEX Health, Inc.

This highlights some of the benefits of these accounts. If there is a discrepancy between this material and the plan documents, the plan documents will govern. Subject to any applicable agreements, Voya and WEX Health, Inc. reserve the right to amend or modify the services at any time.

The amount saved in taxes will vary depending on the amount set aside in the account, annual earnings, whether or not Social Security taxes are paid, the number of exemptions and deductions claimed, tax bracket and state and local tax regulations. Check with a tax advisor for information on whether your participation will affect tax savings. None of the information provided should be considered tax or legal advice.

Investments are not FDIC Insured, are not guaranteed by Voya Benefits Company, LLC (in New York, doing business as Voya BC, LLC), and may lose value. All investing involves risks of fluctuating prices and the uncertainties of return and yield inherent in investing. All security transactions involve substantial risk of loss.

2558353_0723 © 2023 Voya Services Company. All rights reserved. CN3032381_1025