None of the responses in this document constitute legal or tax advice. All answers are subject to verification by an appropriate personal tax advisor, HSA administrator and/or banking institution.

HSA Questions:

1. Can an employee have both a HRA and a HSA?

Yes, an employee can have both a Health Reimbursement Arrangement and a Health Savings Account. There are many key differences between the two. First off, a HRA is employer only money. A HSA can be employer and employee money.

HRA funding cannot be provided to lower than the required HSA eligible plan design deductible of $1,350 single and $2,700 family. Therefore, an employer many times sets deductibles for the HSA eligible plan higher.

As an example, the employer may have a $3,000 single deductible and $6,000 family deductible. The employer puts $1,500 single and $3,000 family into a HRA. This leaves net deductible exposure to the employee of $1,500 single and $3,000 family which more than meets HSA eligible plan design deductible minimums. The employee can then fund their HSA up to whatever they want within the federal maximums.

2. Can a HSA reimburse for health insurance premiums (in retirement)?

HSAs can reimburse Medicare and other health insurance coverage (other than Medicare Supplements such as Medigap) tax-free if the account holder is 65 years old or older. If an employee retires prior to age 65, premiums for health insurance do not qualify unless they are for COBRA or the retiree was receiving unemployment under federal or state law. At this point, HSAs do not allow for the payment of early retiree health insurance premiums tax-free. (DBS)

3. Can an employee participate/contribute to a HSA if they only have Medicare Part A coverage?

The owner of the HSA cannot contribute to or receive contributions from a HSA once he/she is covered by any part of Medicare (A, B, C, D, etc.). When a person enrolls in Social Security for retirement benefits they are automatically enrolled in Medicare Part A. This person loses his/her ability to contribute to the HSA. Whatever is accumulated in the HSA, however, can be used to pay for Medicare Part B and D premiums. In addition, the money can be used as the retiree wants without penalties if they are 65 years old or older. For contribution purposes, it does not matter if the HSA owner's spouse is on Medicare. What matters is if the owner of the HSA is. If the account holder is NOT on Medicare but the spouse is, the account holder can still contribute to a HSA. (DBS)

4. Can an employee/family have 2 HSAs? If so, what is the limit between the two in regard to what can be contributed?

Yes a husband and wife can each have their own HSA assuming they both have HDHP coverage. If they are married and file a joint tax return, they can contribute up to $7,000 (2019) between the two accounts. This assumes they are covered by a family HDHP. They can decide between themselves how they divvy up the $7,000. If they both elect single HDHP coverage, then they can each contribute up to $3,500 in their respective HSAs. The answer does not take into account the catch-up provision. (DBS)

5. What, if anything, needs to happen to allow an employee to be able to invest their HSA dollars?

This is dependent upon the banking institution where the HSA is set-up. Some HSAs collect interest but don't have other investment options. Some HSA administrators offer opportunities for investment options.

6. What happens to money in the HSA if the HSA owner dies?

It's a regular bank account just like any other bank account the employee owns. However they have their personal finances set-up for when they die, it will apply to the HSA account.

   a. Any penalties?
   b. Beneficiary designation?

7. Are there monthly fees for the HSA?

This is dependent upon the banking institution where the HSA is set-up. Some require fees, others don't.

8. What if an employee leaves employment or is no longer covered under a HDHP? What happens?

A HSA is just like any other bank account. If the employee leaves employment, the account is the employees. They can access the money when wanted/needed and at whatever frequency.

9. What if I am not accessing the money on a regular basis, what happens to it?

It is your money, your account and you have it for as long as you keep it open. If you do not take withdrawals on a regular basis, the money accumulates just like any other bank account.

10. If a child has a clinical diagnosis making them eligible for Medicaid (Katy Beckett program – for high income earners), will this disqualify them from having an HSA account?

   a. Currently, the insurance is primary payer and Medicaid is secondary

The child does not hold a HSA account, the employee does. If the owner of the HSA is covered by a HDHP and is not enrolled in other impermissible coverage (Medicare, Medicaid), then they can contribute to a HSA. Anyone covered under Medicaid is not eligible to have money withdrawn from the HSA.

11. What if a family has a special needs adoption giving them Medicaid assistance, will this disqualify them for the HSA?
See the response to question #10.

12. If the employee's spouse is on Medicare, can he utilize funds in the HSA? Is the employee eligible for the HSA?
The spouse is not eligible for the HSA, the employee is.

13. Can a dependent (i.e. grown child) have his own FSA from employer and be under my HDHP/HSA with the County?
Dependents cannot set-up their own FSA. A dependent can be covered under the health insurance plan according to the dependent plan rules but they cannot set-up their own HSA.

14. Can pharmacy discount cards that don't run through the HDHP be used? Can HSA dollars for the prescription be used?
HSA rules require that all health care expenses be considered/applied to the deductible. This means that all health care claims have to be submitted to the insurance carrier. Generally pharmacy discount cards do not work in conjunction with insurance. The general answer is no.

15. How does an HSA affect Social Security benefits?
It doesn't, it's a regular bank account just like any other bank account the employee owns.

16. Will there be a Bene Card for HSA like the FSA?
This is dependent upon the banking institution where the HSA is set-up. Most have a debit cards.

17. How long should documentation be retained?
In general the recommendation is to save documentation for 8 years if the account holder has never been audited. Keeping documentation with tax returns in case of an audit is advised. (DBS)

18. Can HSA funds be transferred into my own personal HSA at a bank? Can an employee set up at a HSA at their own bank?
The account and the money is the employees regardless of where it is set-up so yes, it can be transferred. The second part of the question will be dependent upon what the employer decides to do from a HSA administration perspective. The employer does not have to hire a HSA administrator. They can let employees set up their own HSA at the bank of their choice. This is an employer decision at the beginning of offering the HSA.

19. Can employees put a lump sum into the HSA at the beginning of the year and then stop deductions?
Yes

20. What if someone meets the $2,700 deductible on January 2nd and there is only $1,700 in the HSA. Can the $1,700 be obtained now and then monthly "installments" taken after further contributions are made?
The account works like any other bank account. The employee can take withdrawals at any time they want, as frequently as they want, but only up to the amount in the account. So in the above scenario, the answer is yes.

21. If a child is on Medicaid, can the employee participate in the HSA? If so, are the child's expenses covered also in the HSA?
See the responses to questions #10 & 12.

22. If an employee sets up their own HSA, will the employer still contribute? If so, how does the money get deposited?
See question #18. The money is deposited at whatever schedule the employer determines. They may deposit the full lump sum (annual amount) on January 1st; or they may spread out deposits throughout the year. The employer will communicate this during set-up.

23. If my spouse has a low deductible health plan (single), can his expenses still be eligible under my HSA?
No

24. How does VA coverage work with HSA?
Veterans using a VA Hospital cannot contribute to or receive reimbursement from a HSA within 3 months of the date of service.