

January 1, 2026

What Health Savings Account (HSA) Participants Should Know

What is an HSA?

- A Health Savings Account (HSA) is an account that you can put money into for future health care and other expenses
- There are certain advantages to putting money into these accounts, including favorable tax treatment
- Health Savings Account contributions are made for the calendar year

Who can have an HSA?

- You may open a Health Savings Account if you:
  - Enroll in a high deductible health plan (HDHP)
- You may not open a Health Savings Account if you:
  - Are covered by other health insurance (exemptions: workers comp, disability, etc.)
  - Are covered by a flexible spending account (FSA) (yours or your spouse's) or health reimbursement account (HRA) unless:
    - It is a limited purpose FSA (limited to dental, vision or preventive care)
    - Post-deductible (pay for medical expenses after the plan deductible is met)
  - Are enrolled in Medicare, Medicaid, or Tricare
  - Can be claimed as a dependent on another individual's tax return
  - Have received any Veterans Administration health benefits in the last three months

What are HSA advantages?

- Triple Tax Savings:
  - All contributions to the account are tax-free, which will reduce your adjusted gross income (AGI)
    - This is particularly important for anyone who is carrying significant student debt
  - Earnings (interest, dividends and investments) in the account grow on a tax-free basis
  - Distributions or withdrawals are tax-free as long as you use them for qualified medical expenses
- Flexibility – you choose how and when to spend your funds, no "use-it-or-lose-it" provision
- Vesting – you are fully vested in the account immediately
- Portable – if you retire or leave the company, the account goes with you
- Continuity – balances in accounts rollover from year to year with no maximums

How do I access the money in my HSA?

- As a participant in the HSA plan, you will open your HSA with the bank your employer has selected
- You will need to save receipts to confirm the expenses were eligible under the HSA plan and in case of IRS audit

(continued on next page)

How do I make contributions to a HSA?

- As the employee, you can sign up for pre-tax contributions to your HSA bank account through payroll deductions
- Contributions to your HSA can be made by you, a family member or friend
- Contribution maximums are released by the IRS each year
- If over the age of 55, members can make catch-up contributions of $1,000 annually
    - Employee and spouse can each make a separate $1,000 catch-up contribution if both individuals are over the age of 55; however, they have to be deposited into separate accounts.

What do I do with the money in my HSA?

- Use HSA money for out-of-pocket expenses that you will need to pay for as you work toward meeting your deductible such as hospital, doctor's office and pharmacy expenses
- Other eligible expenses include:
    - Dental exams/dental work
    - Vision exams/glasses/contacts
    - Over the counter supplies (first aid supplies, diabetic testing strips)
    - COBRA premiums
    - Mail order prescription drugs
    - Long term care premiums and expenses
- For more information on eligible expenses, visit the HSA website at IRS Publication 502
- **If available, use a Limited Purpose FSA for dental and vision expenses. This will help preserve your HSA funds for medical expenses.**
- HSA amounts above certain thresholds (e.g. $1,000 depending on the HSA administrator), can be diverted into mutual investments (interest bearing HSA checking account receives 0.25% interest vs. potential higher returns (6%-14%) in mutual fund accounts)

What are the facts regarding an HSA and Medicare?

- Under IRS regulation, you cannot contribute to an HSA if you are enrolled in Medicare Parts A or A&B. You may *withdraw* funds already in the account, but you cannot *add* additional funds to the account. If you have an HSA at work and wish to continue working beyond age 65, here's what you can do according to different situations:
    - If you are eligible for Medicare but have not filed an application for either Social Security Retirement Benefits or Medicare, you have the right to postpone applying for Social Security and Medicare – and therefore can continue to contribute to your HSA – until you stop working. There is no penalty for this delay; and, when your employment ends, you are entitled to a special enrollment period to sign up for Medicare.
    - If you're entitled to Medicare because you signed up for Part A but have not yet applied for *Social Security retirement benefits*, you can withdraw your application for Part A. (To do so, contact Social Security.) There are no penalties and you are free to re-apply for Part A at any future date.
    - If you have applied for, or are receiving a Social Security benefit – which automatically entitles you to Part A – you cannot continue to contribute to your HSA.

Now that you understand the mechanics of the HSA, here is some additional guidance on how to get the most out of your HSA….

- Always lead with your insurance card and wait to be billed
    - Don't pay upfront at the provider's office
    - Always ask to set up a payment plan with your provider for more costly bills
    - **Save your receipts in the event of an IRS Audit**
- Prescription Drugs
    - Use generic drugs or low cost brand medications
    - Use mail order discount programs for maintenance medications
    - Always speak to your provider about lower cost alternatives
    - Costly specialty drugs may require prior authorization or step therapy
    - Copay assistance program may be available for drugs over $200 per prescription
- Medical Services
    - Always use contracted PPO providers to receive the highest level of benefits
    - Check for high quality/low cost medical providers in your area
    - Preventive services (annual physical, certain immunizations and screenings) are covered at 100%. (No deductible or coinsurance applies.) All medical services (outside of preventive care) and prescription expenses accumulate towards your deductible and out-of-pocket expense limitation, resulting in reaching your deductible maximum quicker