Know Your Benefits

Presented by MLJ Insurance

Health Savings Accounts (HSAs)

What is an HSA?

- A health savings account (HSA) is an account that you can use to pay medical expenses
  - Must be used in conjunction with a high deductible health plan (HDHP)
  - You own the account, but both you and your employer can contribute funds
  - Tax-advantages: Contribute pre-tax money, funds accrue tax-free and withdraw funds tax-free (if used for eligible medical expenses)

Benefits of an HSA

- Triple tax advantage means you save money on your health care expenses
- Funds rollover each year, so you can use your HSA to save tax-free money for retirement
- You own the account, even if you leave the company
- Lower monthly premiums than a traditional health plan

HDHPs and HSAs

- HSAs can only be offered with a HDHP
- This is a plan that must provide coverage as follows: (Limits established by the IRS)
  - Minimum deductible:
    - $1,500 single, $3,000 family (for 2023)
    - $1,600 single, $3,200 family (for 2024)
  - Maximum annual out-of-pocket:
    - $7,500 single, $15,000 family (for 2023)
    - $8,050 single, $16,100 family (for 2024)
- Though the deductible is higher for this plan than traditional plans, your monthly premium is lower, and HSA funds can pay for qualified medical expenses subject to the deductible

Who is eligible for an HSA?

- Anyone who is:
  - Covered by an HDHP
  - Not enrolled in Medicare
  - Not covered under other health insurance*
  - Not another person's dependent

*Other health insurance does not include: specific disease or illness insurance, accident, disability, dental care, vision care and long-term care insurance

HSA Contribution Limits

- Each year, the IRS sets contribution limits
  - These limits are for the total funds contributed, including company contributions, your contributions and any other contributions.
- 2023 limits:
  - $3,850 for individual coverage
  - $7,750 for family coverage
- 2024 limits:
  - $4,150 for individual coverage
  - $8,300 for family coverage

HSA Contributions

- You are allowed to contribute the entire year’s limit when you first become eligible for the HSA, as long as you are still eligible on the first day of the last month of your tax year (Dec. 1 for most taxpayers).
- However, if you join mid-year and contribute the maximum amount to your HSA, you must remain eligible for at least 12 months after the last day of the last month of that tax year (Dec. 31 for most taxpayers), or you will be subject to taxes and penalties on the amount you contributed.

Catch-up Contributions

- For individuals ages 55-plus, the IRS allows additional "catch-up contributions"
- Eligible individuals may contribute an extra $1,000 for the year
- This rule is meant to help save additional money for retirement

HSA Distribution Rules

- Distributions from your HSA are tax-free if they are taken for "qualified medical expenses"
- Your HSA can only be used for expenses that are incurred on or after the date the HSA was established
- However, HSA funds can be used for expenses from a prior year, as long as the expenses incurred on or after the date the HSA was established

HSA Distribution Rules

- HSA distributions can be taken for qualified medical expenses for the following people:
  - The account holder (person covered by the HDHP)
  - Spouse of that individual (even if not covered by the HDHP)
  - Dependents of that individual (even if not covered by the HDHP)

HSA Distribution Rules

- For individuals age 65 and older, HSA distributions can be used for nonqualified medical expenses without facing the 20% penalty
  - However, income taxes will apply for nonmedical distributions
  - This rule is regardless of whether the individual is enrolled in Medicare

Qualified Medical Expenses

- The IRS defines expenses that are considered “qualified medical expenses” for HSA distributions
- Expenses must be primarily to treat or prevent a physical or mental defect or illness
- If you use HSA funds for expenses beyond what the IRS defines as qualified, you will be subject to income tax on the distribution and an additional 20% penalty

Qualified Medical Expenses

- Examples of qualified medical expenses include:
  - Most medical care that is subject to your deductible (copays, coinsurance, doctor visits, inpatient or outpatient treatment, etc.)
  - Prescription drugs
  - Insulin (with or without a prescription)
  - Dental and vision care
  - Select insurance premiums
    - COBRA, qualified long-term care insurance, health insurance premiums paid while receiving unemployment benefits, health insurance after you turn 65 except for a Medicare supplemental policy
- Human Resources can provide you with a full list of eligible expenses upon request

Ineligible Medical Expenses

- Expenses that are not considered "qualified medical expenses" include:
  - Insurance premiums (other than the exceptions listed on the previous slide)
  - Surgery purely for cosmetic reasons
  - Expenses covered by another insurance plan
- Human Resources can provide you with a longer list of ineligible expenses upon request

Recordkeeping

- Whenever you use HSA funds to pay for a medical expense, you should keep your receipt
- You may need to demonstrate to the IRS that HSA distributions were for qualified medical expenses
- If the IRS requests receipts for verification purposes, failure to provide those receipts could result in having to pay a penalty

Questions?

- Thank you for your attention!
- If you have additional questions, please contact HR.