

Frequently Asked Questions About HSAs

What is an HSA?

A Health Savings Account (HSA) is a special account that you and/or your employees can make tax-deductible contributions in to pay for certain medical expenses.

How does an HSA work?

The HSA works with a High Deductible Health Plan (HDHP). Employees can use money in the HSA for eligible IRS Section 213(d) medical expenses that the HDHP does not cover, including deductible amounts.

Who is eligible for an HSA?

Anyone who has coverage only with a qualified High Deductible Health Plan and has not reached the Medicare eligibility age qualifies.

Who can contribute funds to the HSA? What is the maximum contribution allowed in an HSA?

Individuals and employers may both contribute to an HSA. The amount can be no more than \$2,900 for those with single coverage and \$5,950 for those with family coverage. The maximum limits may be indexed each year.

What happens to funds if an employee leaves his or her job and the funds were employer contributions?

Once the funds are in the account, they belong to the individual listed on the account. If an employee leaves a company, then the funds in the HSA belong to him or her.

Can employees contribute funds for the entire year, even if the HDHP was not effective until later in the year?

No. Employees can only contribute funds to their HSAs for months in which they were enrolled in the HDHP, beginning the first day of the first full month of coverage. For example, if an HDHP policy becomes effective July 15, 2006, then contributions to the HSA can begin August 1, 2006. Employees can also contribute funds to their HSAs in one lump sum, at the beginning or end of the year based on the number of months that the HDHP is in force.

What happens to funds in the HSA if employees don't use them during the year? If employees do not use their HSA funds, the money rolls over from year to year. Employees can use it for future qualified medical expenses.

Can employees withdraw HSA funds at any time? Yes. Employees must, however, pay taxes on any money they use for non-medical expenses. There also is a 10 percent penalty for the withdrawal of funds for non-medical expenses before age 65.

How do I open an HSA?

For your convenience, we've partnered with a qualified HSA administrator who can help your employees open an HSA. But employees also can open an HSA with any bank or similar financial institution that is a qualified HSA administrator. BlueCross does not administer HSAs. We just offer the High Deductible Health Plans that your employees can use with an HSA.

Can anyone enroll in a HDHP?

Yes. To open an HSA, however, employees must meet certain criteria. Employees must not have other health insurance coverage and can not have reached the Medicare eligibility age.

Are there any fees associated with the HSA?

Yes. The fees vary from one HSA provider to another. There also may be fees for check copies, overdrafts, etc.

When is the latest date that employees can open an HSA for a given tax year?

Employees can open an account as late as April 15 of the following year or their tax filing date.

To learn more about High Deductible Health Plans and HSAs, please call us at 1-800-500-5281 today.