HSA FAQs

Members Choice Credit Union

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WHAT IS A HEALTH SAVINGS ACCOUNT (HSA) AND HOW CAN IT HELP ME WITH MEDICAL EXPENSES?

HSAs are designed to help you save for future qualified medical expenses on a tax-free basis. HSAs are individually owned accounts to which you can make tax deductible contributions, accumulate tax deferred earnings, and take tax free distributions whenever you need to pay for qualified medical expenses.

HOW DO I KNOW IF I AM ELIGIBLE TO OPEN AND CONTRIBUTE TO AN HSA?

To qualify for an HSA, you must be covered under a high deductible health plan (HDHP), you can't be enrolled in Medicare, and you can't be claimed as a dependent on another person's tax return.

Any eligible individual can make contributions to an HSA account. For an employee, the individual, the employer, or any combination both can make contributions to the account throughout the year. Unlike an IRA, family members can actually contribute on behalf of an eligible individual as well.

HOW DO I KNOW IF I HAVE A HIGH DEDUCTIBLE HEALTH PLAN (HDHP)?

Your health insurance provider would be able to tell you if you have an HSA-eligible HDHP. Your health plan is an HDHP if it meets certain requirements, which vary based on type of coverage you have (self-only or family).

2018 HDHP REQUIREMENTS:

	Minimum Deductible	Maximum Out of Pocket
Self-only	$1,300	$6,450
Family	$2,600	$12,900

WHAT ARE THE MAIN ADVANTAGES OF HAVING AN HSA?

You can use the money in your HSA to pay your insurance deductible when qualified medical expenses arise. One of the biggest advantages for having an HSA is that unlike flexible spending accounts (FSAs), any unused savings in the HSA accumulates year-over-year with tax deferred earnings can be used to pay for qualified medical expenses in the current or future years for you, your spouse, or your dependents.

With HSAs, you use pretax dollars to pay for future medical expenses. The contributions you make to your HSA are tax deductible, and the earnings accumulate on a tax deferred basis. Your HSA distributions will be tax free if they are used to pay for qualified medical expenses. Any unspent account balance will continue to accrue earnings each year, so there is no “use it or lose it” provision.

HOW MUCH CAN I CONTRIBUTE TO AN HSA FOR MYSELF OR SOMEONE ELSE?

The maximum amount you can contribute to an HSA each year depends on:

- If the HSA owner is eligible for a contribution or a catch-up contribution
- What type of HDHP coverage the HSA owner carries throughout the year (self-only or family); and
- How many months the HSA owner is covered by a qualified HDHP.

TOTAL CONTRIBUTIONS MADE BY OR ON BEHALF OF AN HSA OWNER CANNOT EXCEED THE ANNUAL CONTRIBUTION LIMIT FOR THE GIVEN YEAR.

	Regular Limit
Self-only	$3,450
Family	$6,900
Catch-up contribution for 55+	$1,000 (in addition to regular limit)

HOW CAN I USE MY HSA ASSETS?

As the HSA owner, you can take money out of your HSA at any time to pay for qualified medical expenses tax free, even if you are no longer an HSA eligible individual at the time of the distribution.

As the HSA owner, you are responsible for determining whether an expense is a qualified medical expense and therefore, a qualified distribution, so review the information answering the question below, “What are qualified medical expenses?” You should also keep your receipts and maintain your records for any tax-free distributions you take from your HSA, in case you need to defend your expenditures or decisions during an IRS audit.

WHAT ARE QUALIFIED MEDICAL EXPENSES?

Qualified medical expenses are medical expenses that are:

- Incurred on behalf of the HSA owner, his/her spouse, or dependents
- Incurred after an HSA has been established
- Not covered by insurance
- Paid by the HSA owner, his spouse or dependents