

HSA Frequently Asked Questions

Overview

Q1. WHAT IS A HEALTH SAVINGS ACCOUNT (HSA)?

An HSA is a tax-exempt trust or custodial account established exclusively for the purpose of paying qualified medical expenses of the account holder, spouse and/or tax dependents. HSA contributions are only permitted for individuals covered by a “Consumer Driven Health Plan” (CDHP) and who have no other disqualifying coverage. For example, if you are covered by your spouse’s non-CDHP in addition to Portsmouth Public School’s CDHP, the IRS will not allow you to establish and/or contribute to an HSA.

Q2. WHAT IS AN HSA-QUALIFIED CONSUMER DRIVEN HEALTH PLAN (CDHP)?

An HSA-qualified CDHP must be structured within the guidelines set by the IRS. These guidelines require that the deductible be no less than \$1,450 for single coverage in 2022 (\$2,800 for family coverage) and require that the maximum out-of-pocket expenses for single coverage (including the deductible) not exceed \$8,700 (\$17,400 for family coverage).

The deductible for Portsmouth Public Schools (PPS) CDHP will be \$3,000 for single coverage and \$6,000 for family coverage for the 2022 plan year.

The plan will offer first-dollar coverage (no deductible) for many preventive care services. Preventive care services include: periodic health evaluations, such as annual physicals, routine prenatal and well-child care, child and adult immunizations and some prescription drugs.

All other services, including non-preventive prescription drugs, fall under the deductible. You must satisfy the deductible (by paying out-of-pocket or through your HSA) before the plan pays for your medical services and procedures. If you have one or more dependents on the plan, the full family deductible must be satisfied prior to payment.

Q3. WILL THE CDHP (WITH AN HSA) IMPACT MY FLEXIBLE SPENDING ACCOUNT (FSA)?

Yes. If you elect to participate in the CDHP with an HSA, you are not able to participate in the full FSA plan for healthcare expenses offered by Portsmouth Public Schools. Your HSA can be used to pay for qualified health expenses as your FSA has done in the past. **If you have a spouse who participates in a full FSA through his/her own employer, this coverage may disqualify you from HSA eligibility.**

We will continue to offer the FSA for those who are not enrolled in the CDHP HSA.

You can still contribute to a Dependent Care FSA plan if you are enrolled in a CDHP HSA.

Q4. WHAT ARE THE MAIN DIFFERENCES BETWEEN AN HSA AND FSA?

The main differences are:

- HSA funds carry over from year to year – i.e. “no use it or lose it” provision like an FSA.
- PPS will make a monetary contribution to your HSA account – not under the FSA.
- Your HSA money earns interest and you can make investments with your funds – not under the FSA.

Contributions

Q5. AM I ELIGIBLE FOR AN HSA?

To be an eligible individual and qualify for an HSA, you must meet the following requirements:

- You must be covered under an CDHP on the first day of the month
- You cannot be covered by any other type of health plan, including Medicare Part A or Medicare Part B (e.g., a non-qualified medical plan, a spouse's full FSA or HRA)
- You cannot be covered by TriCare
- You cannot have received medical benefits from Veterans Administration (VA) for any non-service-connected disabilities at any time during the previous three months
- You are not claimed as a dependent on someone else's tax return

Q6. HOW MUCH WILL MY EMPLOYER CONTRIBUTE TO MY HSA IF I ENROLL IN THE CDHP IN 2022?

Portsmouth Public Schools will contribute a one time lump sum of \$1,000 on or around the first payroll in January. You may elect to contribute additional money into the HSA on a pretax basis, through PPS cafeteria plan, not to exceed the IRS limits shown below.

PPS has committed to make a monetary contribution to your HSA account for the 2022 plan year. However, the decision for an employer contribution for future years will be made before each plan year.

Q7. WHAT IS THE MAXIMUM AMOUNT THAT CAN BE CONTRIBUTED TO AN HSA?

Your total contribution (including any contribution made to your account by PPS) for 2022 cannot exceed **\$3,650** for an individual, or **\$7,300** for employees with family CDHP coverage. For example, PPS is contributing \$1,000 into your HSA, you are eligible to contribute \$2,650 for an individual, or \$6,300 for employees with family coverage.

Catch-up contributions are available to HSA-eligible individuals who have attained age 55 by the end of the taxable year. If you are age 55 or older at the end of the tax year (and not enrolled in Medicare), you are eligible to make a \$1,000 catch-up contribution. Thus, the above amounts increase to **\$4,650** for an individual with single CDHP coverage or **\$8,300** for employees with family CDHP coverage.

If both you and your spouse are eligible for and want to make catch-up contributions, you must each have a separate HSA.

Q8. HOW DO I CONTRIBUTE TO MY HSA?

You may contribute to your account through pre-tax payroll deductions from your paycheck or make contributions on an after-tax basis via check or Electronic Funds Transfer (EFT) at any time, in any amount, up to the maximum limit. You typically have until April 15 (the due date of your federal tax return without extensions) of the following year to make HSA contributions for the current year. You can claim a tax deduction for your after-tax HSA contributions.

Q9. DOES THE MONEY MY EMPLOYER CONTRIBUTES TO MY HSA ACTUALLY BELONG TO ME?

Yes, the money in your HSA account is yours to keep. PPS cannot tell you what to do with the money or limit what you can spend it on. Since it is your money, it goes with you if you end your employment with PPS. Because you are in charge of your HSA funds, you and your doctor are the decision makers – not a third party. Spending your own money also means you should ask about the cost of healthcare expenditures and prescription costs throughout the year. You have the option to spend either from your account or out-of-pocket for medical expenses. If you choose to spend out-of-pocket, you can save your HSA funds for the future.

Q10. DOES THE MONEY IN MY HSA EARN INTEREST?

Yes. Your HSA funds earn interest tax-free, and there is no minimum balance required to earn interest. In addition, once your HSA balance reaches \$2,000, the HSA investment service will be available to you through your Health Equity Account.

Q11. IF I LEAVE THE COMPANY, IS MY EMPLOYER REQUIRED TO CONTINUE THE HSA CONTRIBUTIONS THROUGH COBRA?

No. If you leave the company, PPS is required to offer you the ability to maintain your health insurance (e.g., CDHP) through COBRA, but is not required to continue the HSA contribution.

Q12. CAN I USE THE MONEY IN MY HSA FOR EXPENSES I INCURRED BEFORE I ESTABLISH MY HSA?

No. You can only submit reimbursement for expenses incurred **after** your HSA is established.

Banking

Q13. DO I ONLY USE MY HSA DEBIT CARD TO PAY FOR MEDICAL EXPENSES, OR WILL I NEED MY MEDICAL ID CARD TO MAKE THESE PAYMENTS, TOO?

You should always use your medical ID card, as it provides you with discounts and counts claims toward your deductible and out-of-pocket maximum. Remember to use your medical card first, and then pay the bills with your HSA debit card when you receive an Explanation of Benefits (EOB) from Optima stating your responsibility. The only exception to this process is at the pharmacy. You may use your HSA debit card at the pharmacy once the pharmacist has run your ID card.

Q14. IF MY DOCTOR'S APPOINTMENT COSTS ME \$150 AND I ONLY HAVE \$40 LEFT TO UTILIZE IN MY HSA, CAN I WAIT TO TAKE MY REIMBURSEMENT UNTIL MORE MONEY HAS ACCRUED?

Yes. There is no time limit on when a distribution from the HSA must occur. You may delay distributions from an HSA to reimburse qualified medical expenses incurred in a prior year provided the expenses were incurred **after the HSA was established**. Expenses incurred prior to the establishment of the HSA are not reimbursable. It is important to keep records sufficient to show that the distributions made from the HSA were made to pay or reimburse otherwise unreimbursed qualified medical expenses incurred after the HSA is established.

Tax Impact

Q15. IS THERE A DETAILED LIST OF QUALIFIED HSA ELIGIBLE EXPENSES THAT I CAN TURN TO FOR GUIDANCE?

There are a wide range of allowable tax-free HSA expenditures, including vision and dental expenses, or orthodontia for you or your children. A description of qualified HSA expenditures can be found in IRS Publication 502: <http://www.irs.gov/pub/irs-pdf/p502.pdf>. Be aware that while Publication 502 has great examples, it is not entirely definitive.

Be aware that a recent change in the law now requires over-the-counter (OTC) medicines and drugs to be prescribed in order to be considered a qualified medical expense eligible for tax-free reimbursement from your HSA. If you are reimbursed from the HSA for OTC medicines and drugs without a prescription, the reimbursement is taxable and subject to a 20% penalty.

Q16. DO I NEED TO SAVE ALL OF MY RECEIPTS FOR EXPENDITURES?

Yes. Everyone with an HSA should keep all receipts showing expenditures from their account. If the IRS ever audits you, you will need to be able to back up your HSA expenditures. It is recommended that you keep a file that contains your receipts.

Q17. WILL THE FUNDS THAT PORTSMOUTH PUBLIC SCHOOLS CONTRIBUTES BE INCLUDED IN MY INCOME FOR TAXATION?

No. Employer contributions to an employee's HSA are excluded from an employee's income.

General Questions

Q18. CAN I USE THE MONEY IN MY HSA FOR MY DEPENDENTS' MEDICAL EXPENSES, EVEN IF THEY ARE NOT ENROLLED IN A QUALIFIED CDHP?

Yes, unreimbursed qualified medical expenses (e.g., out-of-pocket expenditures and deductibles) for your spouse or IRS-qualified dependent can be paid through the HSA even if the spouse or dependent is insured under another health plan.

Q19. IF MY EMPLOYMENT WITH MY EMPLOYER IS TERMINATED AND I ELECT COBRA, CAN I PAY MY COBRA PREMIUMS (FOR MY MEDICAL, DENTAL AND/OR VISION COVERAGE) WITH TAX-FREE HSA DOLLARS?

Yes, you can use your HSA dollars to pay COBRA premiums.

Q20. CAN I START AND STOP MY PARTICIPATION IN MY HSA DURING THE YEAR? CAN I CHANGE MY CONTRIBUTION AMOUNT? IF I STOP PARTICIPATING AND THEN ELECT TO MAKE CONTRIBUTIONS AGAIN, WILL MY SAME ACCOUNT STILL BE AVAILABLE?

PPS must allow employees to change their contribution at least once a month. This includes stopping their contribution as well. The account will stay open even if there are no contributions made.

Q21. WHAT HAPPENS IF I EXPERIENCE A SPECIAL ENROLLMENT EVENT, SUCH AS THE BIRTH OF A CHILD? AFTER I ADD THE CHILD TO THE CDHP, CAN I INCREASE THE AMOUNT CONTRIBUTED TO MY HSA TO THE FAMILY MAXIMUM? DOES THE AMOUNT HAVE TO BE PRORATED?

Yes, you can contribute the family maximum. Generally, the contribution amount is prorated based on the number of months you participated in single coverage and the number of months you participated in family coverage.

Q22. WHAT HAPPENS IF, MID-YEAR, MY CURRENT ENROLLMENT STATUS OF EMPLOYEE PLUS SPOUSE CHANGES TO EMPLOYEE ONLY DUE TO A QUALIFYING EVENT (E.G., DIVORCE, CHILD REACHING LIMITING AGE)? WOULD MY HSA CONTRIBUTION HAVE TO BE REDUCED IF IT WAS OVER THE INDIVIDUAL LIMIT?

Yes, your contributions would have to be prorated based on the number of months you participated in family coverage and the number of months you participated in single coverage.

Q23. CAN I ROLLOVER FUNDS FROM A PRIOR HSA TO MY NEW HSA?

Yes, you can roll over the funds from your prior employer's HSA to a new HSA. You will have to contact Health Equity's member services to obtain a copy of the rollover form, fill it out and send it to the HSA vendor who manages your HSA established while at a prior employer.

Q24. WHEN WILL CONTRIBUTIONS TO MY ACCOUNT BE MADE AVAILABLE FOR WITHDRAWAL?

Contributions will be made available for withdrawal within a week from your scheduled pay date.

Q25. WILL I HAVE A CHOICE OF MORE TRADITIONAL MEDICAL PLANS?

Yes, besides the CDHP HSA plan, you will have the option to choose between the two traditional plans currently offered, however, you will not be eligible for the HSA or PPS HSA contribution if you select the traditional plans.

Q26. WILL I HAVE A CHANGE MY DOCTOR IF I CHOOSE THE HSA PLAN?

No, the doctor and hospital networks will be the same as it is under your current Optima program.

Q27. WHAT HAPPENS TO THE MONEY IN THE HSA UPON MY DEATH?

When you open an HSA, you will be asked to designate a beneficiary who will receive the account at the time of your death. You can change the beneficiary or beneficiaries any time during your lifetime, though some states require you to have your spouse's consent.