Frequently Asked Questions – Health Savings Accounts

What is a Health Savings Account (HSA)?
An HSA is a tax-free individual savings account specifically designed for the purpose of paying for eligible medical expenses for you, your spouse, or your eligible tax dependents. Once established, the HSA is owned by you, and dollars in your account remain year after year until used, even if you change employers.

Are there any requirements to setting up an HSA account? Who can participate?
Yes, in order to have an HSA account, you must be enrolled in a qualified High Deductible Health Plan (HDHP). You cannot be enrolled in a general FSA or HRA account, but you can have a limited FSA or HRA account. It is your responsibility to check with your employer and ensure IRS compliance with your plans. NOTE: You can be enrolled in a dependent care FSA with an HSA.

Who cannot set up an HSA account?
- You cannot be covered by Medicare Part A and/or Part B
- You cannot be claimed on someone else’s tax return
- You cannot establish an HSA if you are an owner of a sub S corporation, sole-proprietor, 2% or more owner in a partnership, or part of a limited liability partnership/corporation

Where will my HSA account be set up and when is it effective?
Your HSA account will be setup at a qualified custodian called Healthcare Bank. Your account will be effective the first of the month following the date we process your application. IMPORTANT: Federal Law requires Healthcare Bank to verify your information before setting up your HSA account. If your information cannot be verified with the appropriate government agency, Sanford Health Plan may ask you for additional information, and access to your HSA account may be delayed.

Since my HSA is set up at a bank, are there fees associated with my HSA?
Yes, there are fees associated with HSA accounts, however, employers typically pay these fees for you while you are employed. Once you leave employment, the fees are your responsibility.

How do I deposit money into my HSA account?
Deposits, called “contributions” can be made by both employees and employers. Employees can elect dollars from their pay check on a pre-tax basis, if allowed by your employer. Employers can deposit funds to employee HSA accounts. The IRS sets the annual dollar limit contributions. The maximum contribution for calendar year 2017 is $3,400 (single coverage) and $6,750 (family coverage). There is also an additional $1,000 ‘catch-up’ contribution allowed only for members age 55 by the end of the year. Contributions may be made any time during the year, however all contributions must be made by April 15th following the year for which contributions were made.

How can I use the money in my HSA account?
Once you have money deposited into your HSA account, you will receive a Visa® Benny Debit Card. The Debit Card is a special purpose Visa® card that gives you an easy, automatic way to pay for your eligible healthcare expenses. The card will be loaded with the amount that you have contributed to your HSA account. Each time a contribution is made, by either you or your employer, your debit card is automatically loaded with the additional dollar amount(s).
You can also file a manual claim, an online claim through your member account, or via mobile app. Your expenses generally must be incurred after the HSA account is established.

**Can I use the HSA dollars for non-medical expenses?**
Yes, HSA funds can also be withdrawn for non-medical reasons, but such distributions will be included in your gross income and will generally be subject to an additional tax.

**What will the envelope look like when I receive my debit cards? What does the debit card look like?**
The illustration of the debit card envelope and debit card is shown below.

IMPORANT: You will receive two debit cards. You must activate the cards before you use them. Instructions on how to activate the card will be provided with the debit cards.

**How do I use my debit card?**
- Prescription – simply present your debit card when paying for your prescription
- Medical expenses – when you go to the doctors office, simply present your debit card if you are paying for your copayment. Or, if you have a medical claim with an amount due after insurance payment, your doctor or provider will send you a bill for your share of the medical service/supply. You can use the money from your HSA to pay that bill. Simply contact the billing office and provide them with your debit card number.

**Do I need to send in my receipts when I use my debit card for my HSA account?**
No, you do not need to send in any documentation to prove your debit card transaction. However, keep your receipts in the event of an IRS audit.

**Can I rollover funds from other accounts?**
It depends. You cannot roll funds from a medical or dependent care FSA to an HSA. However, rollover contributions are allowed from another HSA or Archer MSA. These rollover funds are allowed only once per year and must be completed within 60 days after the date of receipt of the payment/distribution to avoid taxes.

**Can an individual establish more than 1 HSA?**
Yes, as long as the annual contribution maximum is not exceeded.

**Do I need to establish a beneficiary for my account?**
Yes, it is important that you designate a beneficiary for your HSA account. If a beneficiary is not identified, the fair market value of the account will be included in the tax return for your estate.

**What are the tax advantages of establishing an HSA account?**
There are three main tax advantages in establishing an HSA account.
1) HSA contributions reduce the individual’s adjusted gross income before standard deductions are considered.
2) Investment earnings on HSA funds are generally tax-free.
3) HSA funds withdrawn for qualified medical expenses are tax-free.

**Will I receive tax information at the end of each year, and will I have to include that in my tax return?**
Yes, both HSA contributions and HSA distributions are reportable items. Contributions are reported on the W-2 form as non-taxable wages. You will receive FORM 5498-SA (sent in May of each year) indicating contributions made to your HSA during the appropriate tax year. Distributions are reported on Form 1099-SA (sent by January 31st each year). It is your responsibility to complete Form 8889 to remit with your annual tax filing.