Health Savings Accounts

ALL YOUR HEALTH SAVINGS ACCOUNT QUESTIONS ANSWERED

Who is eligible to open an HSA?

The main requirement for opening an HSA is having a high-deductible health plan that meets IRS guidelines for the annual deductible and out-of-pocket maximum. To be an eligible individual and qualify for an HSA, you must also meet the following requirements:

- You are not covered by any other non-HDHP health plan, such as a spouse's plan, that provides any benefits covered by your HDHP plan.
- You are not enrolled in Medicare.
- You do not receive health benefits under 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 cannot be claimed as a dependent on another person's tax return.
- You are not covered by a general purpose health care flexible spending account (FSA) or health reimbursement account (HRA). Alternative plan designs, such as a limited-purpose FSA or HRA, might be permitted.

**Title 38 of the United States Code, Section 101(17) defines "non-service-connected" as, with respect to disability, that such disability was not incurred or aggravated in line of duty in the active military, naval, or air service.*

What is a High-Deductible Health Plan (HDHP)?

An HDHP is a health plan that satisfies certain requirements for deductibles and out-of-pocket expenses. View the IRS guidelines and eligible expenses.

May a husband and wife have a joint HSA?

No. Each spouse must open a separate HSA. You can, however, give your spouse access to your HSA by designating them as an authorized signer on the account.

Are there limits to how much I can contribute?

Yes. The IRS determines the maximum amount that can be contributed to an HSA during the calendar year.

What is a catch-up contribution?

Eligible individuals over the age of 55 are allowed to make additional "catch-up" contributions to their HSAs. The catch-up amount is $1,000, and if you turn 55 during the year, you can contribute the full $1,000.

Is there a deadline for when contributions must be made?

Yes, yearly contributions should be made by your tax filing deadline, generally April 15 of the following year.

Are health insurance premiums considered IRS-qualified medical expenses?

Generally, health insurance premiums ARE NOT considered IRS-qualified medical expenses, UNLESS they are for:

- Qualified long-term care insurance
- COBRA health care continuation coverage
- Health care coverage while an individual is receiving unemployment compensation
- For individuals over 65, the following premiums ARE considered IRS-qualified medical expenses:
  - Medicare Parts A, B, D, Medicare HMA
  - Employee portion paid for employer-sponsored health insurance

Employee portion paid for employer-sponsored retiree health insurance

Can I use my tax-free HSA savings to pay for--or reimbursement myself for--IRS-qualified medical expenses from a previous year?

Yes, as long as the IRS-qualified medical expenses were incurred after your HSA was established, you can pay them or reimburse yourself with HSA funds at any time. Just be sure to keep sufficient records to show that these expenses were not previously paid for by another source or taken as an itemized deduction in any prior tax year.

Can I use my HSA for non-medical expenses after I am past age 65?

Yes. Money spent on ineligible costs before age 65 is subject to income tax plus a 20 percent penalty. After you turn 65, you won't pay the penalty, but the distribution will still be subject to income tax.

Once I am on Medicare, can I use my HSA for my premiums?

You can use HSA funds to pay for Medicare premiums, including Medicare Part B, which covers outpatient care, and Part D, which covers prescription drugs. (Most people don't pay premiums for Part A.) You can't, however, use the funds for premiums for supplemental, or Medigap, policies.

What is a Limited Purpose FSA (LPFSA)?

An LPFSA works with a qualified high deductible health plan (HDHP) and Health Savings Account (HSA). A limited FSA only allows reimbursement for preventive care, vision and dental expenses.

How can I put money into my HSA?

There's no minimum to open your Sentinel HSA, and your contributions are tax deductible. This gives you more saving power to cover your family's qualified medical expenses. There are several ways to contribute to your Sentinel HSA:

- A bank account. Link a bank account for fast direct deposits. You can also set up recurring deposits for added convenience.
- HSA consolidation. Transfer some or all of your balance from another HSA or HSAs, as often as you like, to consolidate your accounts.
- One-time IRA transfer. Move money from your IRA to your HSA once in your lifetime for a federal income tax deduction.

What are the tax benefits for HSAs?

First, personal HSA contributions using after-tax money may be federal income tax deductible. If you have an HSA through your employer, you can make pre-tax payroll contributions. Second, spending your HSA money on qualified medical expenses is free of federal income taxes. Third, if you invest some or all of your HSA money, any growth is also tax free.

Can my spouse and my dependents use my HSA?

Yes. You, your spouse and your eligible dependents can all use your HSA money to pay for qualified medical expenses as long as everyone meets eligibility requirements and you, the account owner, have authorized each of them by requesting an additional HSA debit card in their name.