WHAT IS AN HSA?

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What does it stand for?

Health Savings Account

Who owns the account?

The employee.

How is the account funded?

Money is deposited directly into the employee's account. Contributions can be made by the employee through lump sum contributions or pre-tax payroll deductions. An employer may also contribute to the account.

Is it a personal account?

Yes.

Is the account portable?

Yes, the employee owns the HSA, and they can take it with them into retirement and even pass it on to their heirs.

Who is eligible?

First, you must be enrolled in a Qualified High Deductible Health Plan (QHDHP) and not be covered by any other insurance for health expenses. There are two groups not eligible to contribute to an HSA: someone who can be claimed as a tax dependent & someone entitled to Medicare. Factors that do not affect eligibility are annual income, employment status, or incurred medical expenses.

What type of corresponding health plan is required?

Only a defined High Deductible Health Plan (HDHP).

Can account funds be used for non-medical expenses?

Yes. However, funds used for non-medical expenses are taxed as income and incur a 20% penalty. After 65, there is no penalty.

What is the tax treatment for the account?

Contributions to these accounts are made on a pre-tax basis, and funds may be used tax free for qualified healthcare expenses.

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