

Common questions about HSAs

There's a lot of information out there about health savings accounts (HSAs). So, we've pulled together several common questions that people are asking, especially during open enrollment time.

Q: What can I use my HSA for?

A: You can use the funds in your HSA to pay for qualified medical expenses like:

- Doctor's office visits, lab fees and medical procedures
- Dental care, including extractions and braces
- Vision care, including contact lenses, prescription sunglasses and LASIK surgery
- Prescription medications and over-the-counter treatments
- And more

Keep in mind that at age 65 or over your HSA can be used as extra income. That means you're free to withdraw your funds for anything, including nonqualified expenses, without incurring a withdrawal penalty. Unfortunately, you'll still need to pay income tax on it. Under 65? In that case you'll be hit with a 20% penalty for using your HSA money on nonqualified expenses, plus you'll pay tax, too.

Q: What are the benefits of an HSA?

A: HSAs are tax-advantaged accounts that help people save and pay for qualified medical expenses. Your HSA lets you:

- Contribute money before it's taxed
- Earn income tax-free
- Make income tax-free withdrawals for qualified medical expenses
- Carry over unused dollars from year to year
- Keep it even if you change jobs, change health plans or retire
- Pay for qualified medical expenses for a spouse or tax dependent
- Consolidate any other HSAs you may have into one Optum Financial HSA for extra convenience

Note: Non-payroll contributions are tax deductible on your federal tax return. Some states do not recognize HSA contributions as a deduction, and some states tax interest earned on your HSA. Your own HSA contributions are either tax-deductible or pre-tax (if made by payroll deduction). See IRS Publication 969, or consult a qualified tax advisor to see how your state treats HSA contributions.

Go to optumbank.com for more details.

Q: Who qualifies for an HSA?

A: To be eligible to open an HSA, you must have a qualifying high-deductible health plan (HDHP) that meets IRS guidelines for the annual deductible and out-of-pocket maximum.

You also cannot be:

- Covered by any other health plan that is not an HDHP
- Currently enrolled in Medicare or TRICARE
- Claimed as a dependent on another individual's tax return
- A recipient of Department of Veterans Affairs (VA) benefits within the past three months, except for preventive care. If you are a veteran with a disability rating from the VA, this exclusion does not apply.

Q: What is a qualifying HDHP?

A: This health plan satisfies certain IRS requirements with respect to deductibles and out-of-pocket expenses. For 2023, at least \$1,500 in deductibles for individual coverage and \$3,000 for family coverage, and out-of-pocket exceeding \$7,500 for individual coverage and \$15,000 for family coverage.

Q: Are health insurance premiums considered qualified medical expenses?

A: In general, no, but exceptions include qualified long-term-care insurance, COBRA health care continuation coverage, any health plan maintained while receiving unemployment compensation under federal or state law and, for those 65 and over (whether or not they are entitled to Medicare), any employer-sponsored retiree medical coverage premiums for Medicare Part A or B or Medicare HMO. Premiums for Medigap policies are not qualified medical expenses.

Q: What happens to my HSA if I no longer am covered by a qualifying high-deductible plan (HDHP).

A: While you can no longer contribute to your HSA, you can still use the remaining funds for qualified medical expenses.

Q: How much can I contribute to an HSA?

A: For 2023, the IRS sets annual contribution limits of \$3,850 for individual coverage and \$7,750 for family coverage.

Note that any contributions made to your HSA by family members, your employer or others count toward this limit.

If you are 55 or older, you can contribute an additional \$1,000 each year. Note: The primary account holder must be 55 or older (even if the spouse is of that age).

Q: How can I make contributions?

A: There are two easy ways to make a deposit:

1 Payroll deductions through your employer, if available

2 Online at optumbank.com using your personal bank account

Q: When can contributions be made?

A: Contributions for a taxable year can be made any time within that year and up until the tax filing deadline for the following year, which is typically April 15.

Q: Can I reimburse myself prior to my enrollment in an HSA?

A: No. Qualified medical expenses may be reimbursed only if the expenses are from after the date your HSA was established.

Q: Is there a time limit for reimbursing myself?

A: You can reimburse yourself at any time for expenses you paid for out of pocket. There is no time limit, but the expenses must have been incurred since you opened your HSA.

Q: How can I use my HSA to pay for qualified expenses?

A: You can use your HSA payment card, use online bill pay, or pay out of pocket and then pay yourself back using HSA funds.

Q: Can I use my HSA to pay for non-health-related expenses?

A: Yes. However, any amount of a distribution not used exclusively to pay for qualified medical expenses for you, your spouse or your eligible tax dependents should be included in your gross income. These distributions are subject to taxes and an additional 20% IRS tax penalty, except in the case of distributions made after your death, disability or reaching age 65.

Q: What happens if my HSA contributions exceed the annual contribution limit?

A: If you contribute more than the IRS annual contribution limit, you have until the tax-filing deadline to withdraw excess contributions. If excess contributions are not withdrawn by the tax-filing deadline, an annually assessed excise tax of 6% will be imposed on any excess contributions.

Q: Is tax reporting required for an HSA?

A: Yes. You must complete IRS form 8889 each year with your tax return to report total deposits and withdrawals from your account. You do not need to itemize. For more information about tax rules including distribution information, visit [optumbank.com](https://www.optumbank.com) and consult a qualified tax advisor.

Q: What happens to my HSA when I die?

A: If you are married, your spouse will become the owner of the account and assume it as their own HSA. If you are unmarried, your account will cease to be an HSA. The money in your account will pass to your beneficiaries or become a part of your estate, and it will be subject to applicable taxes.



Ready to enroll?

Enrolling in an HSA is quick and easy because it's built into your employer's benefits enrollment. Review your enrollment materials so you don't miss your chance to sign up.



Scan the QR code, or go to **optumbank.com/qualifiedexpenses**, to see a list of qualified expenses.



Go to optumbank.com to learn more.



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