Health Savings Plans (HSAs) for Individuals

PARK NATIONAL BANK
Southwest Ohio & Northern Kentucky
BankWithPark.com

Thinking of opening an HSA? Park National Bank is here to help. We offer HSA Checking, HSA Investment Savings, and 12-, 18-, or 24-month HSA Term Accounts to meet your health savings needs. When you're ready to talk, visit any Park National Bank office for more information.

What is a Health Savings Account?

A Health Savings Account (HSA) is an alternative to traditional health insurance; it is a savings product that offers a different way for consumers to pay for their health care. HSAs enable you to pay for current health expenses and save for future qualified medical and retiree health expenses on a tax-free basis (if qualified, per IRS guidelines). Contributions can be from an individual or another person, including an employer (not considered income) or family member on behalf of an eligible individual. Contributions, other than employer contributions, are deductible on the eligible individual's return whether or not the individual itemizes deductions.

You must be covered by a High Deductible Health Plan (HDHP) to be able to take advantage of HSAs. An HDHP generally costs less than what traditional health care coverage costs, so the money you save on insurance can therefore be put into the Health Savings Account. HDHP is an inexpensive health insurance plan that generally doesn't pay for the first several thousand dollars of health care expenses (i.e., your deductible) but will generally cover you after that.

How to qualify for an HSA:

To be an eligible individual and qualify for an HSA, you must:

- Be covered under a high deductible health plan (HDHP)
- Have no other health coverage
- Not be enrolled in Medicare
- Not be claimed as a dependent on someone else's tax return

Tip: Each eligible person wanting an HSA must open an individual plan. Although you cannot have a joint HSA, you may have an authorized signer on your HSA.

Benefits of an HSA:

- Tax deductible
- Contributions made by an employer are excluded from your gross income
- Contributions remain in your account from year to year until you use them
- Interest or other earnings on the assets in the account are tax free
- Distributions may be tax free if you pay qualified medical expenses

Do unused funds in a Health Savings Account roll over year after year?

Yes, the unused balance in a Health Savings Account automatically rolls over year after year. You won't lose your money if you don't spend it within the year.

What happens if I don't use the money in the HSA for medical expenses?

If the money is used for other than qualified medical expenses, the non-medical expenditures must pay income tax and a 20% penalty on the amount withdrawn unless disabled or over age 65.

Can my employer offer an HSA or help pay for one, or do I have to get it on my own?

Contributions to HSAs can be made by either the employer or the individual, or both. If contributions are made by the individual, it is an "above-the-line" deduction. If contributions are made by the employer, it is not taxable to the employee (excluded from income). Contributions can also be made by others on behalf of an eligible individual and deducted by the individual. Contributions are aggregated on yearly basis to determine whether you have contributed the maximum allowed.

How much can I (and/or my employer) contribute to a Health Savings Account?

If you have a plan with really high deductibles, you cannot contribute more than the limits specified by law. These dollar limits may adjust for inflation each year. Also, there is a 6% excess contribution penalty assessed directly by the IRS. Please ask for current year contribution limits for individuals and families.

As an employer, do I have to contribute the same amount to each employee's HSA?

Employer contributions must be "comparable", that is they must be in the same dollar amount or same percentage of the employee's deductible for all employees in the same "class".

You can vary the level of contributions for full-time vs. part-time employees, and employees with self-only coverage vs. family coverage. You do not need to consider employees who do not have HDHP coverage as they are not eligible for HSA contributions.

What happens to the money in a Health Savings Account after you turn age 65?

Once you turn 65, you can continue to use your account tax-free for out-of-pocket health expenses. If you enroll in Medicare, you can use your account to pay Medicare premiums, deductibles, copays, and coinsurance under any part of Medicare. If you have retiree health benefits through your former employer, you can also use your account to pay for your share of retiree medical insurance premiums. The one expense you cannot use your account for is to purchase a Medicare supplemental insurance or "Medigap" policy.

Once you turn age 65, you can also use your account to pay for things other than medical expenses. If used for other expenses, the amount withdrawn will be taxable as income but will not be subject to any other penalties. Individuals under age 65 who use their accounts for non-medical expenses must pay income tax and a 20% penalty on the amount withdrawn.

I'm on Medicare, can I have an HSA?

You cannot make contributions to an HSA after you enroll in Medicare. You must stop making contributions (including catch-up contributions) the month for which your Medicare enrollment is effective. However, this should not discourage those nearing the age of 55 from opening HSAs because you can keep whatever money is in the account and use it for a number of things – including payment of your Medicare premiums – after you enroll in Medicare.

I'm self-employed. Can I contribute to an HSA on a pre-tax basis?

Since you are not considered an employee under current tax law, you cannot contribute on a pre-tax basis, but you may take an above-the-line deduction for your personal HSA contributions on your personal income taxes. You are already able to deduct the full cost of your health insurance premiums on your taxes.

What about beneficiaries?

You may choose to name primary and contingent beneficiaries and the percentage of the assets they receive. If your primary beneficiary dies before you, the contingent beneficiaries receive the HSA assets. If all beneficiaries die before you, the assets will be paid to your estate. If no percentages are assigned to beneficiaries, or if the percentage total for any beneficiary classification exceeds 100%, any remaining percentage will be divided equally among the beneficiaries within such class.

Please consult your tax professional for full tax information & details.