



# Health Savings Accounts

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## Why a Health Savings Account?

Healthcare is constantly changing. With rising deductibles and larger gaps in coverage, you need a solution. A Health Savings Account (HSA) may be the answer. Combined with a High Deductible Health Plan (HDHP), an HSA provides the security of knowing you have the funds needed to help cover healthcare costs before you satisfy your deductible.

## How it Works

An HSA allows you to set aside money pre-tax to help pay for eligible medical expenses. Your contributions can build year over year and any interest you earn will grow tax free.

To participate in an HSA, **you must first be enrolled in a qualified HDHP**. You may be enrolled in the plan either through your employer or spouse's plan. Combining a qualified HDHP with an HSA helps you control your healthcare costs and expenses.

## The Value of an HSA

### An Account You Own

Like a personal savings account, the money in an HSA rolls over annually, meaning the funds never expire and you can take it with you wherever you go – even if you change jobs, change health plans, or retire.

### Potential for Growth

The money in your HSA earns interest, so the more you save, the more you earn. Account holders can choose to invest funds over \$2,500 into a variety of investment options. This is a great way to potentially grow your savings for future healthcare costs or retirement.

### Triple Tax Advantage

- The money you put in to the account is deducted from your paycheck tax-free,
- The interest and earnings you make on the account grow tax-free, with the opportunity to invest in mutual funds, and
- When you take money out for eligible medical expenses, it is generally tax-free.



## Eligibility Requirements

Once you're covered by a qualified HDHP, you can contribute to an HSA if you:

- Are not covered by any non-HSA eligible health plan including a general purpose Healthcare Flexible Spending Account (HCFSAs) or a Health Reimbursement Arrangement (HRA). *Additionally, if your spouse has a HCFSAs that allows reimbursements for your expenses, you may not participate.*
- Are not enrolled in Medicare or Tricare. *If you are over 65, as long as you have not enrolled in Medicare, you can continue to make contributions and use your funds. Once you are enrolled in Medicare or Tricare, you can no longer make contributions but can continue to use your funds.*
- Are not being claimed as a dependent on someone else's tax return.

If you are no longer covered by a qualified HDHP, you may still use your HSA funds, however, you may not continue to contribute to your account.

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## Contributing to Your HSA

The easiest way to contribute to your HSA is through payroll deduction. Through payroll deduction, your contribution amount is automatically deducted from your paycheck, pre-tax. If you decide to contribute directly to your account, you will need to take the appropriate steps on your annual tax return to receive the tax savings benefit.

The IRS sets an annual maximum contribution amount:

Year	Self-Only Coverage	Family Coverage
2019	\$3,500	\$7,000
2020	\$3,550	\$7,100

Individuals 55 and over may contribute an extra \$1,000 catch-up contribution.

## Accessing Your Funds

We offer four convenient ways for you to access your HSA funds to pay for healthcare expenses for you, your spouse, and your dependents, regardless of their health plan.



### Benefits Debit Card

Use your Benefits Debit Card to pay for eligible medical expenses; the amount is deducted directly from your account.



### Distribution Request Form

Fax or mail a Distribution Request Form to receive reimbursement by check or direct deposit.



### Online Reimbursement

Request funds online and receive a check or direct deposit into your personal checking or savings account.



### Online Bill Pay

Request funds online to pay your provider directly from your HSA account.

## Eligible Expenses

The Internal Revenue Service (IRS) determines which expenses are eligible for reimbursement. The following are examples of common types of eligible and ineligible expenses. For a searchable list, visit [americanfidelity.com/eligible-expenses](https://www.americanfidelity.com/eligible-expenses).

### Examples of Eligible Expenses

- Medical expenses, including medical bills to cover deductibles and copayments
- Prescription drugs and over-the-counter medications prescribed by your doctor
- Vision expenses (including prescription glasses, contacts and Lasik)
- Dental treatment (including orthodontia)
- Chiropractor
- Immunizations, Flu shots
- Medical exams, X-rays

### Examples of Ineligible Expenses

- Late fees on medical bills
- Cosmetics
- Dependent care expenses
- Toothbrushes or toothpaste
- Vitamins for general well-being
- Over-the-counter medicines (unless prescribed by a licensed medical practitioner)
- Cosmetic procedures (including face lifts or teeth whitening/bleaching)

## Pairing Your HSA with a Limited Purpose FSA



If you know you'll have extra expenses, you may consider pairing your HSA with a Limited Purpose Flexible Spending Account (LPFSA). An LPFSA reimburses eligible dental and vision expenses only, allowing you to use your HSA funds to pay for eligible medical expenses. Participating in both plans allows you to maximize tax savings and tax benefits.

## Differences in Healthcare FSAs and HSAs

Healthcare FSAs and HSAs are both common types of reimbursement accounts. They both allow you to set aside money for medical expenses, while reducing your overall tax burden.

There are significant differences between a Healthcare FSA and an HSA:

- With an HSA, you own the account, the funds are never forfeited at the end of the plan year, and you can take it with you wherever you go.
- Also, unlike a Healthcare FSA, your funds are available in your account only as contributions are made, instead of at the beginning of the plan year.

HCFSA	HSA
<b>Eligibility Requirements</b>	
No HCFSA specific eligibility requirements.	Must have a qualified HDHP and no other disqualified health plan.
<b>Availability of Funds</b>	
The full election amount is available up front at the beginning of the plan year.	Funds are available only as contributions are made.
<b>Changing Contribution Amounts</b>	
Changes may only be adjusted at open enrollment or with a qualifying change in employment or family status.	May change at any point during the year subject to plan provisions.
<b>Rollover</b>	
With a few exceptions, HCFSA's are "use or lose" and you forfeit any unused balance at the end of the plan year	Any unused balance always rolls over in to the next plan year.
<b>Connection to Employer</b>	
Generally, you'll lose your HCFSA with a change in employment.	It's your account. You can take it with you wherever you go.
<b>Effect on Taxes</b>	
Contributions are taken out of your paycheck pre-tax. Distributions are tax free for qualified expenses.	Contributions may be taken out of your paycheck pre-tax. Growth and distributions for qualified expenses are tax free.

**Consider signing up for an HSA today to take control of your healthcare expenses.**



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