

# HEALTH SAVINGS ACCOUNT – Q&A

## HSA BASICS

### **What is a health savings account or HSA?**

A health savings account (HSA) is a tax-sheltered savings account, which is only offered to people who are covered under a qualified high-deductible health plan such as the Aetna HSA Account plan. Aetna provides the underlying health coverage, and Fidelity is the financial institution that administers the HSA savings account. An HSA is an individually owned, fully portable, tax-advantaged and interest-bearing account that allows you to save and help pay for current and future medical expenses. An HSA can provide a triple tax advantage:

- You can make pre-tax contributions through payroll deductions, which reduces your tax liability on your wages.
- When you use your account to pay for qualified medical expenses, you can withdraw the funds tax-free.
- Any unused funds carry over from year to year and continue to grow tax-deferred.

Additionally, you own the account, so the balance in the account goes with you if you change employment.

### **Why might the HSA plan be a more affordable choice?**

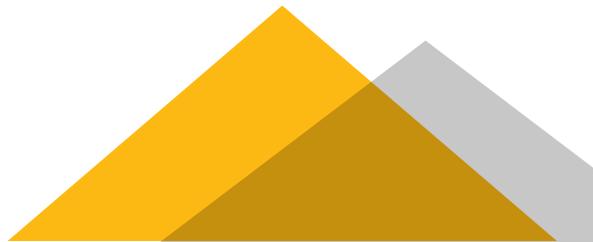
Using an HSA offers you more control over your health care dollars and provides an opportunity for savings. The high deductible health plan costs less than a traditional PPO medical plan so the premium cost is less. By taking some of those savings and putting them in an HSA, you can set aside funds to pay for qualified medical expenses for now or the future. Meanwhile, you benefit from tax deductions and tax-free interest.

### **How does the Aetna HSA Plan differ from a typical PPO Plan?**

The Aetna HSA Plan covers the same broad range of services as the PPO plan, including coverage for preventive care. The major difference is the high deductible that must be satisfied before benefits are covered, including prescription drugs. You can continue to see your current medical providers, and the plan will provide the highest benefits when you use Aetna's network of PPO providers. Check [Aetna.com](http://Aetna.com) to see if your provider is part of the Aetna Choice POS II (Open Access) network.

### **Can I enroll in my spouse's dental (or vision) plan and still have an HSA?**

Yes, you can have dental (or vision) coverage through your spouse's benefit plans and still be eligible for the University-sponsored Aetna HSA Plan. You are **ineligible** for an HSA plan if you are enrolled in a medical plan that is not a qualified HDHP. If your spouse is enrolled in a non-qualified medical plan, you cannot be covered under your spouse's plan and the Aetna HSA Plan.



### **How does this plan's deductible work?**

A deductible is a fixed dollar amount you must pay each plan year before your health plan begins paying for covered benefits. Your deductible accumulation returns to \$0 on January 1 of each year. If you cover a family (two or more people), then the entire family deductible must be met before the plan begins paying benefits for any member. This is different than the Aetna PPO where each member has his/her own deductible.

### **What is an out-of-pocket maximum?**

It is the maximum total expense that you will pay during a plan year for health care services allowed under the plan. After you reach your out-of-pocket maximum, the plan pays 100% of the allowed amount for covered benefits for the remainder of the plan year.

### **How does Aetna know when I've met my deductible or out-of-pocket maximum?**

To ensure that your deductible and out-of-pocket maximums are credited appropriately, always show your Aetna ID card when you receive health care services or purchase medications. When the provider, or pharmacy, submits your claim, Aetna tracks the accumulations to your deductible and out-of-pocket maximum. You then will receive an explanation of benefit form in the mail, which breaks down what you paid and what has accumulated toward your deductible and out-of-pocket maximum.

## **CONTRIBUTIONS TO MY HSA ACCOUNT**

### **Who is eligible to open a Fidelity HSA?**

You're eligible to open an HSA if you:

- are covered under the Aetna high deductible plan;
- are not enrolled in Medicare;
- don't have coverage under another health plan, such as a spouse's plan (including a spouse's flexible spending account plan);
- are not claimed as a dependent on someone else's tax return.

If you meet *all* of the above criteria, be sure to open your Fidelity HSA as soon as possible and no later than 90 days after the effective date of your Aetna HSA Plan coverage.

If you do not meet all of the above criteria, you may enroll in the Aetna HSA Plan for your medical insurance protection, however, you will not be eligible to open a Fidelity HSA account and receive HSA contributions from Seattle University.

### **Will the University contribute to my HSA Account?**

Yes, Seattle University will make semi-monthly contributions to your HSA account. If you enroll in Employee Only coverage, the University's contribution will be \$1,000 in 2021, or \$41.66 per semi-monthly paycheck. The University's contribution increases to \$2,000, or \$83.33 per paycheck in 2021 if you are also covering dependents.



### **How do I open my HSA through Fidelity?**

A few weeks after you enroll in the Aetna HSA Plan, you will receive an email from Fidelity instructing you to complete the process to open your Fidelity HSA. It is important you open your Fidelity HSA as soon as possible to begin receiving the university's HSA contributions.

### **What happens if I don't open my account in a timely manner?**

It is important to open your account as soon as possible for many reasons. Delay in opening the account means not having funds in the account that you can invest, or use for eligible medical expenses you incur after your Aetna HSA coverage is effective.

*You must open your HSA through Fidelity within 90 days of enrolling in the Aetna HSA Plan in order to receive all of the university's contributions. Failure to set up your account within 90 days of your coverage start date means the university will not make any retroactive contributions for funds you were eligible to receive in the first 90 days of your coverage.*

If your HSA is set up more than 90 days after your Aetna HSA Plan coverage is effective, the university's contributions will begin on the first pay day after the Fidelity HSA is set up to receive funds.

### **How much can I contribute to my HSA Account?**

The total amount deposited into your account by you and the University cannot exceed a maximum annual contribution established by the U.S. Treasury. The table below shows the maximum contribution, what the university will contribute and the amount remaining that you can contribute for 2021. If you're 55 or older, you may make additional "catch-up" contributions.

<b>Coverage Selection</b>	<b>Total IRS Maximum Contribution</b>	<b>University 2021 Contribution</b>	<b>Max Optional Employee Contribution<sup>1</sup></b>
<b>Employee Only</b>	\$3,600	\$1,000	\$2,600
<b>Employee &amp; Dependent(s)</b>	\$7,200	\$2,000	\$5,200

<sup>1</sup> You can contribute an additional \$1,000 if you are over the age of 55.

### **How do I make contributions to my HSA?**

You may choose to make pre-tax contributions to your HSA by using the University's online enrollment platform, PlanSource available at: <https://benefits.plansource.com>. You will be asked to specify the annual or per paycheck amount of your contribution. PlanSource will notify Fidelity that you have elected to contribute to the HSA.



### **Can I change my contributions to the HSA during the plan year or stop contributing?**

Yes, you can change the amount you contribute to your HSA at any time during the plan year by revising your online enrollment. Your change will be effective with the next available pay date if filed before the payroll deadline.

### **What are “catch-up” contributions for people age 55 or older?**

If you're nearing Medicare eligibility (and loss of eligibility to contribute to an HSA), catch-up contributions allow you to accumulate funds faster in a shorter period of time. If you're 55 or older, the 2021 catch-up contribution limit is \$1,000.

### **What if my spouse is covered under my HDHP and also age 55 or older, can I make “catch-up” contributions for him/her?**

If you and your spouse are 55 or older, are HSA eligible individuals, have each established an HSA through your respective employers, then both spouses can make “catch-up” contributions. If only one spouse has an HSA, only that spouse can make the “catch-up” contribution. You can also make a catch-up contribution for a spouse that is 55 or older, even though you may be under age 55.

### **Are HSA contributions taxable?**

No. Your contributions are pre-tax deductions from your pay. The University's contributions are also exempt from payroll taxes and are not taxable to you.

### **Can I transfer funds from my IRA to my HSA? How much can I transfer?**

The IRS allows a one-time transfer of IRA funds to an HSA. This amount, when combined with other HSA contributions for the year, is subject to the annual HSA maximum contribution. In other words, the amount of the rollover cannot exceed the applicable annual HSA contribution limit (which would vary depending on whether the person has individual or family coverage) when combined with any other HSA contributions you made for that year.

If you have Employee Only medical coverage and you transfer amounts from your IRA to an HSA, you may later make an additional transfer if you switch to family coverage. The maximum amount of the additional transfer is equal to the difference between the amount transferred while you had self-only coverage and the maximum deductible limit for family coverage for the year.

Failure to maintain eligibility for HSA contributions for a period of 13 consecutive months beginning with the month of the IRA transfer for any reason other than death or disability would result in income tax and a 10% additional tax on the transferred amount.

Contact Fidelity Investments if you are interested in initiating an IRA transfer to your HSA account.



## FIDELITY ACCOUNTS

### **Why do I need to complete a Fidelity application to open an HSA?**

Your HSA is technically a brokerage account through Fidelity. Under federal securities law, an application must be completed for any brokerage account opened.

### **How does my Fidelity HSA earn interest?**

Funds contributed to your account are deposited in an FDIC insured, interest bearing “core position”. Current interest rates will be posted to Fidelity’s website:

[www.netbenefits.fidelity.com](http://www.netbenefits.fidelity.com). Interest earned in your HSA is tax-free when used to pay for qualifying medical expenses.

### **How are the funds in my Fidelity HSA invested?**

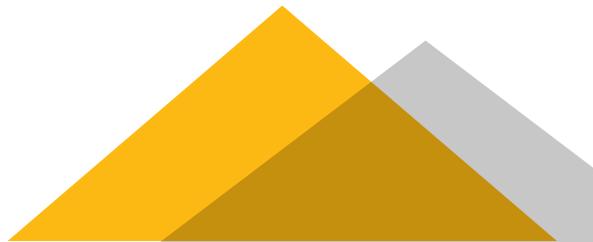
You can invest your Fidelity HSA balance and the potential earnings grow federally tax free. Your funds will automatically be deposited in your core position. You can choose among a broad range of investment options including a full range of Fidelity mutual funds, up to 4,000 additional mutual funds, and individual stocks and bonds. Investment minimums may apply to some investment options. See [Fidelity.com](http://Fidelity.com) for more information.

Before investing, consider the fund’s investment objectives, risks, charges and expenses. Contact Fidelity for a prospectus or summary prospectus, if available, containing this information. Read it carefully.

### **Where can I perform functions related to my HSA?**

The following services are available on Fidelity’s website:

- Online account opening
- View account balance
- Order Debit Card
- Access Tools and Learning
- Investment information and execution, account balances and history, and general account maintenance.
- Account transfers of assets, account rollovers, or to process a return of excess contribution.
- Periodic Account Statements, confirmation statements, account application and signature card or tax forms.
- Account maintenance
- Order check book
- Enroll in Fidelity BillPay for HSAs



### **What fees are associated with my HSA?**

Fidelity's account maintenance fees are paid on your behalf by the University while you maintain your employment relationship with the University.

Other transactional fees may apply. Please refer to the Schedule of Fees in the Fidelity Brokerage Retirement and HSA Customer Agreement or on Fidelity.com for additional information.

### **Who do I call if I have questions about my Fidelity HSA?**

Please call 800-544-3716 to speak with a Fidelity representative.

## **USING HSA FUNDS**

### **How do I withdraw funds from my HSA?**

You can pay for a qualified medical expense such as prescription drugs using Fidelity BillPay for HSAs, your Fidelity HSA debit card or checkbook; or, you can pay using other funds and reimburse yourself afterwards from your HSA account. To be reimbursed, you can request a check for yourself electronically through Fidelity BillPay for HSAs, write yourself a check from your HSA checkbook, or call 800-544-3716 and request reimbursement through a Fidelity representative.

### **How long can I keep money in my HSA?**

You may keep money in your HSA as long as you like, even if you are no longer covered under an HSA-qualified high deductible health plan. Once you reach age 65, the funds can be withdrawn, tax-free, to pay for qualified medical expenses or your share of Medicare or retiree health coverage. If used for other purposes, the amounts withdrawn will be taxable.

### **Is the HSA a "use it or lose it" account?**

No. The funds invested in an HSA roll over year after year. This is a significant difference from healthcare flexible spending accounts where unused balances in excess of \$500 are forfeited if unused by year-end.

### **What types of medical expenses are eligible under an HSA?**

Distributions from your HSA are not taxable income if they're used to pay for qualified medical expenses. Qualified medical expenses include your out-of-pocket costs for services such as office visits and hospital services. They also include prescription medications, vision expenses (eyeglasses and contact lenses), and non-cosmetic dental expenses. Qualified medical expenses are defined by the IRS in Publication 502: <http://www.irs.gov/pub/irs-pdf/p502.pdf>. Please note that your health plan premium is not a qualified expense, except when it is for qualified long-term care coverage, health care continuation coverage required by federal law (COBRA), or health care coverage while you are receiving unemployment compensation.



Per IRS Publication 969, qualified medical expenses are those incurred by the following persons:

- You and your spouse
- All dependents you claim on your tax return
- Any person you could have claimed as a dependent on your return except that:
  - The person filed a joint return
  - The person had gross income of \$4,000 or more, or
  - You, or your spouse if filing jointly, could be claimed as a dependent on someone else's tax return.

### **Who decides whether the money I'm spending from my HSA is for a "qualified medical expense"?**

You are responsible for that decision, and therefore should familiarize yourself with what qualified medical expenses are. You should also keep your receipts in case you need to defend your expenditures or decisions during an audit.

### **What types of medical expenses are not eligible under an HSA?**

Examples of expenses that are not HSA-eligible include gym memberships, nutritional supplements, cosmetic procedures and surgeries.

### **What if I use my HSA funds for "non-qualified" expenses?**

Individuals under age 65 who use their HSA funds for anything other than qualified medical expenses must pay income tax plus a 20% penalty on the amount that is withdrawn.

### **What happens to my HSA when I retire and enroll in Medicare?**

Once you enroll in Medicare, you are no longer able to contribute to the HSA, you may continue to make tax-free withdrawals for qualified medical expenses. If you are enrolled in Medicare, you may also use your HSA to pay for premiums, deductibles, co-pays, or coinsurance under any part of Medicare, except for a Medicare supplemental or "Medigap" policy. Once you reach age 65, you may also use your account to pay for non-medical expenses without penalty; however, the amounts withdrawn will be considered taxable income.

### **What happens to my HSA when I die?**

If you're married, your spouse becomes the owner of the account and can use it as if it were his or her own HSA. If you're not married, the account will no longer be treated as an HSA upon your death. Instead, the funds will pass to your beneficiary or estate and will be subject to any applicable taxes.



**When must a distribution from an HSA be taken to pay or reimburse, on a tax-free basis, qualified medical expenses incurred in the current year?**

You may defer to later taxable years to receive distributions from HSAs to pay or reimburse qualified medical expenses incurred in the current year as long as the expenses were incurred after the HSA was established. Similarly, a distribution from an HSA in the current year can be used to pay or reimburse expenses incurred in any prior year as long as the expenses were incurred after the HSA was established. Thus, there is no time limit on when the distribution must occur. However, it is important that you keep sufficient records to show that the distributions were exclusively to pay or reimburse qualified medical expenses, that the qualified medical expenses have not been previously paid or reimbursed from another source and that the medical expenses have not been taken as an itemized deduction in any prior taxable year.

**Can my spouse use funds from his/her health flexible spending account (FSA) to pay for my health care expenses?**

No. If your spouse has an FSA plan you are not eligible to contribute to an HSA. However, individuals may contribute to an HSA and also be covered by your spouse's "limited purpose FSA" if available. A "limited purpose FSA" is one that is designed by your spouse's employer to reimburse only vision or dental expenses.

**Can I use HSA funds to pay for an LDA's qualified medical expenses?**

No. The current tax code and federal law do not allow LDAs the same benefits as spouses. Medical expenses for a LDA are not considered qualified medical expenses.

**My LDA is covered by the HSA plan. Can I contribute up to the family maximum each year, even though I cannot use my HSA to pay for the LDA's medical expenses?**

Yes. Contribution limits are determined by the plan, not the tax status of dependents. A plan is considered family coverage if at least one eligible individual and another individual are covered by the plan. If the LDA establishes an HSA through his/her employer, each of you can contribute 50% of the family deductible to an HSA.

**If I decide the HSA Plan is not right for me, can I switch to the Aetna PPO Plan or to the Kaiser Permanente HMO?**

Yes, you may switch during each open enrollment period (typically held in November, for a January effective date) to a plan that fits you and your family's needs. In addition, if you have a qualifying event (for example, marriage or birth of a child), you may switch medical plans after January 1.

If you switch health plans, and you still have dollars available in your HSA, those dollars remain with you to be used towards any qualified medical expenses in the future. You don't have to be enrolled in an HSA plan to use the dollars; you just cannot contribute new dollars to the University HSA.



## **What happens to my HSA if I no longer have coverage under an HSA-qualified high deductible health plan?**

The money accumulated in your HSA belongs to you. If you are no longer covered by an HSA-qualified high deductible health plan, for whatever reason, you may not make further contributions to the account. However, you may still withdraw tax-free funds from the account for qualified medical expenses or taxable funds for non-qualified expenses.

## **HSA TAX REPORTING**

### **What tax forms should I expect at the end of the year to file taxes?**

Each year you'll receive a Year-end Status Report, IRS Form 1099-SA and IRS Form 5498-SA.

The Year-end Status Report shows your account activity for the calendar year. The information includes account balances, contributions, distributions, fees charged and earnings on the account. This report is provided for your records and is not an official tax document.

### **IRS Form 1099-SA**

IRS Form 1099-SA provides you with the distributions made from your HSA in that tax year. You will receive a separate 1099-SA for each type of distribution made during the tax year. The five distribution types are normal, excess contribution removal, death, disability and prohibited transaction. This information is used to complete IRS Form 8889.

Instructions for IRS Forms 1099-SA can be found at <http://www.irs.gov/instructions/i1099sa/ar02.html/>.

### **IRS Form 5498-SA**

IRS Form 5498-SA reports all the contributions made to your HSA in that tax year. This information is used to complete IRS Form 8889.

### **What IRS forms should I expect to complete when filing my taxes?**

IRS Form 8889 is used to report HSA contributions, distributions and your tax deductions. You will complete this form using IRS Forms 1099-SA and 5498-SA. These documents will be provided by Fidelity. Instructions for Form 8889 can be found at <http://www.irs.gov/pub/irs-pdf/i8889.pdf>.

