2022 Health Savings Account FAQs

1. **What is an HSA?**

   An HSA is a tax favored account like a personal savings account or a 401(k) for healthcare expenses. This pre-tax benefit account, in conjunction with your State High Deductible Health Plan (HDHP), is used to pay out-of-pocket health, prescription, vision, and dental eligible expenses that are not covered by insurance (e.g., deductibles, copays, and coinsurance). You can invest or earn interest on the money in your HSA so that it grows over time. Unlike FSAs, the entire HSA balance will roll over each year and remains yours even if you change health insurance plans, retire, or leave state employment.

2. **How do I qualify for the State HDHP's HSA?**
   a. To qualify and be eligible to make and receive contributions into the State HSA, you must meet all the following conditions:
   b. You must be covered by the State HDHP.
   c. You or your spouse cannot be enrolled in a General Purpose Health Care (GPHC) Flexible Spending Account (FSA) or a Health Reimbursement Arrangement (HRA). You can, however, be enrolled in a Limited Purpose Health Care (LPHC) FSA.
   d. You cannot be covered by any other non-HDHP health insurance.
   e. You cannot be claimed as a dependent on another person's tax return.
   f. You are not enrolled in benefits under Medicare.
   g. You can be covered under two HDHPs. If your employer and your spouse's employer both offer HDHPs, you can opt for double coverage and, if you have no other disqualifying coverage, still contribute to your HSA.

      Note: Tax penalties may be imposed on ineligible persons enrolling in an HSA. If you have other non-HDHP health coverage, including Medicare, or can be claimed as a dependent on someone else's tax return, to avoid these tax penalties you should not enroll in the HDHP. It is your responsibility to ensure you are eligible to receive HSA contributions under the IRS rules.

3. **When will I receive the state's contribution to my HSA?**
   a. Employees with State HDHP coverage effective January 1, 2022 will receive the state's HSA contribution on January 6, 2022. Qualified medical expenses incurred by new enrollees between the beginning of the plan year through January 5, 2022 can be paid from the HSA funds deposited on January 6, 2022. Ask your provider to bill you, or you can use the HSA for reimbursement if you pay out of pocket.

      The state's contribution (also referred to as seed money) will be prorated if you enroll midyear due to a qualifying life event (QLE) based on the State HDHP enrollment effective date.

4. **How much will the state contribute to my HSA?**
   a. $750 for eligible individual employee coverage
   b. $1,500 for eligible employees enrolled with one or more eligible dependents on their coverage

c. The state seed money will be prorated if you enroll midyear due to a QLE based on the State HDHP enrollment effective date. The seed amount is subject to change in future plan years.

5. **Will an individual eligible for COBRA at the beginning of the plan year receive the employer HSA contribution?**

   No. If an employee departs state employment or is placed on a Waived Rights Leave of Absence, no HSA employer contribution will be made. Only current employees enrolled in the State HDHP are eligible for the employer HSA contribution.

6. **Will an employee on a leave of absence at the beginning of the plan year who has State HDHP coverage on January 1 receive an HSA employer contribution?**
   a. An employee with State HDHP coverage on January 1 under either FMLA or continuation coverage would receive the seed if the State HDHP insurance premium has been paid.

7. **Will an employee on a leave of absence at the beginning of the plan year who does not have State HDHP coverage on January 1 receive the HSA employer contribution?**

   An employee who hasn't made a required payment for coverage will not receive the HSA employer contribution until payment is made. If there is a gap in coverage the contribution will be prorated.

8. **Will the state prorate the HSA employer contribution for part-time employees?**

   The state will provide the same HSA employer contribution amount for part-time employees as for full-time employees if the employee is eligible to enroll in health insurance benefits and has active coverage in the State HDHP.

9. **Will the state provide additional prorated HSA employer contributions for midyear qualifying life events (QLEs) resulting in individual employee coverage changing to family coverage?**

   Yes. The additional state contribution will equal the difference between the individual and family contributions, divided by 26 pay periods, multiplied by the number of pay dates between the effective date of the State HDHP coverage change and the end of that year. For example, if 11 pay dates remain in the year, the calculation would be: ($1,500 - $750) / 26 * 11 = $317.31.

10. **How will the state's HSA contribution proration be calculated for midyear enrollments?**

    The state contribution proration is calculated based on the number of pay dates between the effective date of the State HDHP coverage and the end of that year. For example, if an employee and spouse enroll in the State HDHP effective March 20, 2022, 20 pay dates remain in the calendar year, so the calculation would be: $1,500 / 26 * 20 = $1,153.85.

11. **If I enroll in the State HDHP midyear, can I use my HSA to cover expenses incurred earlier in the year?**

    No. There may be a gap between coverage under the State HDHP and access to your HSA. Health plan coverage begins with the start of a pay period, but the HSA can't be opened until the first day of a month once HDHP coverage is effective. For example, if your State HDHP enrollment is effective March 7, the HSA will open April 1.

    Expenses incurred before April 1 cannot be paid or reimbursed from the HSA.

12. **Do I have to do anything to activate my HSA?**

    Instructions will be included in the welcome packet from HealthEquity, which will be mailed to you before your HSA effective date. If HealthEquity requires additional information to verify your identify and activate your HSA, you will receive a letter requesting proof of your identity such as a photocopy of a valid photo ID showing your residence, photocopy of your Social Security card, or copy of your recent W2.

    You may fax the documentation to HealthEquity's secure fax, Attn: Info Verification, 520.844.1184 or mail it to:

    HealthEquity
    Attn: Info Verification
    15 W Scenic Pointe Drive, Suite 100
    Draper, UT 84020

13. **What kinds of expenses are covered by an HSA?**

    Qualified medical expenses are defined by the Internal Revenue Service to include expenses for medical care, vision and dental care, prescription drugs, certain types of premiums such as COBRA continuation, and much more. For a complete list of eligible expenses covered under an HSA, visit HealthEquity's website at: https://www.healthequity.com/hsa-qme

14. **Can I enroll in a Health Care FSA if I have an HSA?**

    You cannot enroll in the General Purpose Health Care (GPHC) FSA, but you can enroll in the Limited Purpose Health Care (LPHC) FSA. If you are already enrolled in a GPHC FSA at the beginning of a plan year and enroll in the State HDHP with HSA during that plan year, your HSA will not be allowed to receive any contributions from you or the state.

15. **Can I use my HSA funds for my family members if I only have HDHP insurance coverage for myself?**

    Yes. You can use your HSA to pay for qualified medical expenses for your spouse and tax dependents, as long as their expenses are not otherwise reimbursed.

16. **How much can I contribute to my HSA?**

    For 2022, the annual contribution limits are $3,650 if covered by an individual HDHP and

$7,300 if covered by a family HDHP. The state's HSA seed contribution counts against these limits. If you are age 55 or older as of December 31, 2022, you may contribute an extra $1,000 as a catch-up deduction under individual or family policy coverage for 2022. These limits are set by the IRS and may change year to year.

17. **What is a catch-up HSA contribution?**

    Eligible individuals who are age 55 or older by the end of the calendar year of the HDHP enrollment can make additional "catch-up" contributions to their HSA. The catch-up contribution limit set by the Internal Revenue Service for 2022 is $1,000.

18. **Can both spouses make a catch-up contribution?**

    Yes, but the catch-up contribution can't be combined and put into one HSA. Each spouse must open an HSA and put the catch-up amount in his or her own account.

19. **How do I fund my HSA?**

    There are two ways to fund your HSA:

    Payroll deductions. You can designate how much to contribute to your HSA through the HealthEquity portal (accessible once logged in to www.bcbsm.com/som) if you are enrolled in the State HDHP. The state will then deduct that amount from your paycheck, before taxes are deducted, throughout the remainder of the calendar year. You can change this amount anytime and will need to set up your payroll contributions each year you're enrolled in the State HDHP in order for them to continue from one year to the next.

    Note: The contribution election you make via HealthEquity's portal will take effect with the next administratively available paycheck and will remain in effect through the reminder of the calendar year unless you change your election. You are responsible for making a change to stop your election (by entering $0) once you reach the annual maximum contribution amount or otherwise become ineligible to contribute to an HSA. Any One-Time contribution election you make will be made in addition to any per-paycheck election you may have set up.

    Direct contributions. You can contribute additional funds to your HSA anytime. While these contributions aren't tax-free, they can be deducted on your tax return. Keep in mind that you only can access funds that have been deposited by you or the state. Unlike an FSA, your HSA does not fully fund your individual contributions on the first day of the plan year.

20. **Can I contribute to my HSA if I am age 65 and covered under an HDHP?**

    Yes. You can contribute to your HSA as long as you are an eligible individual and have not enrolled in Medicare Part A, B, or D. Once you enroll in Medicare you can no longer contribute to your HSA.

    For example, if you enroll in Medicare effective July 1, you are no longer eligible to contribute to an HSA as of July 1. Your maximum contribution for that year would be for 6 months of that year (you were eligible the first six months of the year). You could also only contribute half of the allowed catch-up amount for that year.

If you turn age 65, are still working, and are not enrolled in Medicare, you are still eligible to contribute to your HSA.

21. **Who can contribute to my HSA?**

    Anyone you allow to contribute to your HSA can, such as your spouse, your employer, your family members, etc. Contact HealthEquity at 877-284-9840 for additional information.

22. **What happens if I contribute to my HSA more than the maximum annual limit that the Internal Revenue Service allows?**

    HSA contributions in excess of the Internal Revenue Service annual contribution limits ($3,650 for individual coverage and $7,300 for family coverage for 2022) are not tax deductible and are generally subject to a 6% excise tax.

    If you contribute too much to your HSA for the year, you can do one of two things:
    a. Remove the excess contributions and the net income attributable to the excess contribution before you file your federal income tax return (including extensions). You'll pay income taxes on the excess removed from your HSA.
    b. Leave the excess contributions in your HSA and pay 6% excise tax on excess contributions.

23. **Is the total contribution amount available in my HSA on January 1 of the plan year, like a Health Care FSA?**

    No. Unlike a Health Care FSA, the funds in your HSA must accumulate in your account before you can use them. You can monitor your balance in your HealthEquity account online or on our Mobile App so you always know your latest balance. The state contribution will be made on January 6, 2022 for employees enrolled in the State HDHP effective January 1, 2022 but may be used to reimburse expenses incurred between the beginning of the plan year through January 5, 2022.

24. **Can I use my HSA to pay for health insurance premiums?**

    Generally, you cannot treat insurance premiums as qualified medical expenses unless the premiums are for:
    a. Long-term care insurance, subject to Internal Revenue Service mandated limits based on age and adjusted annually (see IRS Publication 502: Long-Term Care).
    b. Healthcare continuation coverage (such as coverage under COBRA - see IRS Publication 502: COBRA Premium Assistance.
    c. Healthcare coverage while receiving unemployment compensation under federal or state law.
    d. Medicare and other healthcare coverage if you are 65 or older (other than premiums for a Medicare supplemental policy, such as Medigap).
    e. For (b) and (c) above, your HSA can be used for your spouse or a dependent meeting the requirements for that type of coverage. For (d) above, if you, the account beneficiary, are not 65 years of age or older, Medicare premiums for

coverage of your spouse or a dependent (who is 65 or older) generally are not considered qualified medical expenses.

25. **Can I withdraw the funds from my HSA at any time?**

    Yes. You can withdraw funds from your HSA anytime. But keep in mind that if you use HSA funds for any reason other than to pay for a qualified medical expense, those funds will be taxed as ordinary income, and the IRS will impose a 20% penalty.

    After you reach age 65 or if you become disabled, you can withdraw HSA funds without penalty, but the amounts withdrawn will be taxable as ordinary income if not used for qualified medical expenses.

26. **Are Medicare Part D premiums considered qualified medical expenses?**

    Yes. If an account beneficiary has reached age 65, premiums for Medicare Part D for the account beneficiary, account beneficiary's spouse, or account beneficiary's dependents are considered qualified medical expenses to spend HSA funds on.

27. **Is there a spending limit for my HSA?**

    No. There is no spending limit for your HSA, the entire balance can be carried over from year to year, and you can spend the entire balance at any time.

28. **Can I transfer assets in my IRA into an HSA?**

    HSA: A rollover contribution is not included in your income, is not deductible, and does not reduce your contribution limit. You can roll over amounts from other HSAs into the State HDHP's HSA. You do not have to be an eligible individual to make a rollover contribution from your existing HSA to a new HSA. Rollover contributions do not need to be in cash. You must roll over the amount within 60 days after the date of receipt. You can make only one rollover contribution to an HSA during a one-year period. 12 months must pass after receipt of one rollover before you may make another distribution from the same HSA to rollover.

    Note: If you instruct the trustee of your HSA to transfer funds directly to HealthEquity for your State HDHP's HSA, the transfer is not considered a rollover. There is no limit on the number of these type of transfers. You do not need to include the amount transferred in income, deduct it as a contribution, or include it as a distribution on IRS Form 8889, line 12a.

    IRA: Internal Revenue Service rules allow a one-time transfer of IRA assets to fund an HSA, subject to the contribution limits applicable to the year of the transfer and the individual must be otherwise eligible to open an HSA. Transfers are not taxable as IRA distributions. Amounts transferred into an HSA from an IRA are not deductible. IRS Publication 969 provides more information.

    For further details, access HealthEquity's Transfer Request Form or contact HealthEquity at 866-346-5800.

29. **My spouse has a separate health insurance policy. Am I eligible to contribute or receive HSA funds?**

    It depends. If your spouse has an individual health insurance policy covering only your spouse with no other insurance, and you are enrolled in the State HDHP and are otherwise eligible, then you are eligible to participate in an HSA.

    But if your spouse has a General Purpose Health Care (GPHC) FSA or HRA, you are not eligible to participate in an HSA. Even though you are not covered by your spouse's health insurance, the IRS considers your spouse's GPHC FSA or HRA to be disqualifying coverage, meaning you would not be able to make or receive contributions to an HSA.

    An exception is if your spouse has a Limited Purpose Health Care (LPHC) FSA or a Limited Purpose HRA that covers vision and dental care expenses only. If your spouse only participates in either a LPHC FSA or a LP HRA, then you may participate in an HSA.

    If my spouse or tax dependents have their own health insurance, can I enroll them in the State HDHP and cover their qualified medical expenses with funds from my HSA?

    If your spouse or tax dependent carries their own health insurance policy that is not a state health insurance plan (e.g., through another employer, Medicare, Medicaid), you can cover them under your State HDHP and use your HSA funds for otherwise unreimbursed qualified medical expenses (QME) incurred by them.

    Note: Your spouse and tax dependents do not need to be covered by your State HDHP or any other insurance for their QME to be reimbursable through your HSA.

30. **My spouse and I have family coverage under a single HDHP. Can we both have an HSA?**

    Yes. You and your spouse may both have an HSA. However, the contributions to both HSAs cannot exceed the annual family limit. The Internal Revenue Service regulations limit the total amount you both may contribute to your HSAs. For 2022, the annual family contribution limit is $7,300.

31. **What happens to my HSA if I leave my job?**

    This is one of the best things about an HSA: it's yours. Your HSA is yours to keep, even if you leave state employment. You keep your HSA and all the money in it. There is a monthly administration fee of $3.95 a month, which is waived if the account balance is $2,500 or more.

32. **Is there any cost to an employee to maintain an HSA?**

    As long as you are employed by the State and covered by the State HDHP, you will not incur any account administration fees. If you leave state employment or change health plans and keep your HSA at HealthEquity, you will be charged a monthly administration fee of $3.95 a month, which is waived if the account balance is more than $2,500.

Review the HealthEquity SOM Fee Schedule for additional information.

Note: You are under no obligation to keep your HSA at HealthEquity, but state contributions and payroll deductions can only be deposited in your HealthEquity account.

33. **Are the eligibility rules the same for the HSA as they are for the State HDHP for dependents who are not tax dependents?**

    No. Dependents can be covered on your HDHP through the end of the month when they turn age 26; HSA funds can only be used for you, your spouse, any dependent claimed on your tax return, or any person you could have claimed as a dependent on your tax return.

    HSA money cannot be used for adult children covered by your HDHP who you do not claim as dependents on your taxes. Dependents must be under age 19 (or under age 24 if a full-time student) and must rely on you for over half of their support for the plan year. Contact your tax advisor for more information.

    Note: Your spouse or dependents do not need to be enrolled in the HDHP to have expenses covered by an HSA.

34. **Can married state employees enroll separately in the State HDHP, or do they have to enroll together and how will the state HSA contribution work if dependent children are enrolled?**

    Each family member can only be covered once. The State HDHP premium, deductibles, out-of-pocket maximums and the state's HSA contribution is based on that enrollment.

    The family HSA contribution limit would apply collectively, meaning that if the two employees maintain coverage under separate plans and one covers one or more of their children, their aggregate HSA contributions cannot exceed the HSA contribution limits for family coverage. Dependent children and the spouse can still use either employee's HSA if they're considered qualified dependents.

35. **Are eligible dependent children able to use either parent's HSA funds?**

    Yes.

36. **If I divorce or my children are no longer eligible for coverage under my plan, must they stay enrolled in the State HDHP if they elect COBRA coverage? Will they receive the state HSA contribution?**

    A family member who loses coverage must remain in the State HDHP under COBRA but would have the opportunity during COBRA open enrollment to elect a different health plan. There would not be a state HSA contribution.

37. **If I have an HSA and a Limited Purpose Health Care (LPHC) FSA for 2022, will any remaining funds carry over to a General Purpose (GPHC) or LPHC FSA in 2023?**

Those funds would carry over to a Limited Purpose Health Care FSA, up to the Carryover limit for the plan.

38. **If I didn't enroll in the State HDHP with HSA and had a GHPC FSA in 2022 with Carryover into 2023, then elect the State HDHP with HSA effective January 1, 2023, will my funds carry over into a GPHC FSA or Limited Purpose Health Care (LPHC) FSA?**

    The funds will carry over to a LPHC FSA, up to the Carryover limit for the plan. The system will automatically update the HC FSA to limited purpose based on 2023 HSA contributions being received.

    a. The contributions sent to the HSA would trigger the change to convert the GPHC FSA to the LPHC FSA.

39. **If I experience a midyear qualifying life event that allows me to enroll in an HDHP with HSA, can I switch my General Purpose Health Care (GPHC) FSA to a Limited Purpose Health Care (LPHC) FSA?**

    No. Enrolling in an HDHP with HSA would not allow you to change or cancel your GPHC FSA election to establish HSA eligibility or to enroll in a LPHC FSA. Per IRS Notice 2005-86, an individual who is covered by a GPHC FSA is ineligible for HSA contributions for the individual's entire period of coverage under the GPHC FSA-even after the individual has completely exhausted a HC FSA balance. Coverage in a GPHC FSA will render the participant ineligible to contribute or receive any funds into an HSA for the entire plan year.

40. **If I experience a midyear qualifying life event that allows me to disenroll from an HDHP with HSA and I'm currently enrolled in a Limited Purpose Health Care (LPHC) FSA, can I switch to a General Purpose Health Care FSA at that time?**

    No. Under Internal Revenue Service rules, you would be required to remain in the LPHC FSA for the remainder of that plan year.

    Related Resources:

    - State HDHP with HSA Fact Sheet
    - FSA FAQs
    - Benefits Open Enrollment FAQs