Health Savings Accounts Frequently Asked Questions (FAQs)

1) **How do I qualify for a Health Savings Account (HSA)?** You need enroll in the Aetna Health Fund (HSA) Plan which meets the qualifications of a high-deductible health insurance policy.

2) **How much can I contribute to an HSA?** You and the college can make pretax contributions in 2015 of up to a total of $3,350 a year if you have individual coverage, or up to $6,650 if you have family coverage. People age 55 and older can save an extra $1,000 per year. You can add money to the account until the tax-filing deadline for the previous year's contributions.

3) **When will Bates contributions be deposited in my HSA Account?** Bates will contribute ½ of the Basic “seed” contribution on the first payroll in January ($300 for individual coverage and $600 for dependent coverage). Bates will contribute the next ¼ of the basic contribution on the first payroll in May and the last ¼ on the first payroll in September for a total basic contribution of $600 for individual coverage and $1,200 for dependent coverage. Any 50% matching contributions would be deposited with the applicable payrolls where your contributions are deducted up to the maximum matching contribution from the college ($300 individual coverage and $600 for dependent coverage).

4) **How can I use the money?** You may spend the HSA money tax-free on out-of-pocket medical expenses, such as your deductible, co-payments for medical care and prescription drugs, or bills not covered by insurance, such as vision and dental care.

Unlike with a flexible spending account, you don’t have to use the money by the end of the year—it can grow tax-deferred in your account for later use. There’s no deadline for making a withdrawal: You can reimburse yourself in future years for medical costs you incur now, as long as you have records of past bills. You can even use tax-free HSA money to reimburse yourself for the money that Social Security withholds from your benefits to pay for Medicare Part B. You can also use HSA funds to pay Part D or Medicare Advantage (but not medi-gap) premiums, or for a portion of your long-term-care insurance premiums. If you use HSA money for nonmedical expenses, you’ll have to pay taxes on it (plus a 20% penalty before age 65).

5) **What if I incur a large medical expense at the beginning of the year?** You may only use funds that have already been deposited in your HSA to pay for medical expenses. If you incur a large out-of-pocket expense early in the year you can have a few options. First, you can change your contributions to the HSA at any time during the year. If you incur a large expense and have the funds available you can either pay for the out of pocket and contribute throughout the year to your HSA or make additional pre-tax contributions to your HSA faster.

If you do not have the means to pay for the expense or make additional contributions most providers will work with you on a payment plan similar to how they would if you did not have the funds to pay your maximum out-of-pocket expense under the Aetna PPO plan.
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6) **How do I invest the HSA money?** Payflex offers savings accounts that are easy to access for medical expenses. But PayFlex also lets you shift money into mutual funds and other investments after your account balance reaches $1,000. You will want to keep money you’re using for medical expenses throughout the year in the savings account, so you don’t have to sell investments at a loss to pay the bills.

7) **Whose medical expenses can I pay from my HSA?** You can pay for medical expenses for any of your IRS tax dependents. This is typically your spouse and children under age 19 or under age 24 if a full-time student. You may cover your domestic partner or your children up to age 26 under the Aetna Health Fund (HSA) Plan but you may not use your HSA funds to pay for their expenses. However, due to their being covered under a qualified high deductible health plan they qualify to open their own HSA in their name.

8) **Can I be covered under another health plan and still have an HSA?** No, you can’t be covered under another health plan including a regular FSA or HRA. If you or your spouse has one of these you are not eligible to contribute to an HSA.

   If you are enrolled in Medicare or Medicaid, you’re not eligible for an HSA. If you had an HSA when you enrolled in Medicare or Medicaid you can still use the funds. You just can’t contribute to the account. Note: If you are eligible for Medicare but not yet enrolled, you can still contribute to the HSA.

   If you are enrolled in Tricare you’re not eligible for an HSA. (Tricare is health coverage for people in the military.) If you had an HSA when you started on Tricare you can still use the funds. You just can’t contribute to the account.

   If you receive care from the Veterans Administration (VA), that may affect your HSA eligibility. Generally, when you receive VA care you are not eligible for an HSA for the next three months. This means that you can’t contribute for the three months after having VA care.

9) **If I choose the Aetna Health Fund (HSA) Plan in 2015 can I switch plans in 2016?** Yes, each annual enrollment you will have the opportunity to choose from any medical plan option offered for that year. If you were to choose a non-HSA qualified plan then any funds remaining in your HSA would continue to be yours and available to pay for any eligible medical expense. However, you would not be able to contribute any additional amounts to your HSA until you were again covered by a qualified high deductible health plan.

10) **If I set up HSA through Bates, what happens if I switch jobs?** You can keep the money in an HSA account even after you leave Bates, similar to our retirement plans. But you will get stuck with a 20% penalty -- plus an income-tax bill -- if you use any of the money for nonmedical expenses before age 65.

   If you are currently enrolled in the Aetna Health Fund (HSA) Plan when you leave employment, you will be able to continue your coverage through COBRA. However, any college contributions to your HSA account would cease on the day you left employment.
11) **Is preventive care covered by a high-deductible health insurance policy?** Yes, even though your health insurance policy has a high deductible, the plan must cover certain preventive care without a deductible or co-payments. Services covered include well-baby visits and routine vaccinations for children; screenings for high blood pressure and high cholesterol; mammograms for women over 40 every one or two years, depending on their risk factors; and colorectal cancer screening for adults over age 50.

12) **Are preventive medications also covered at 100%?** Yes, the IRS allows certain preventive medications to be paid under a high deductible plan at 100% without being subject to the deductible. See Aetna’s Preventive Medicine List to see if your prescriptions will be paid at 100%.

   All other prescriptions not on the list will be subject to the deductible. Once the deductible has been reached Aetna will pay 100% of the cost of the prescription.

13) **Do I need to keep my receipts?** Yes, you must keep all receipts and records. These will show that you used your HSA funds to pay for eligible expenses. Each year, the amount of contributions to your HSA will be reported to the IRS. PayFlex will send you and the IRS a 1099-SA which reports all distributions from your HSA. You will be required to file Form 8889 with your tax return to verify that the distributions from your HSA were used for qualified medical expenses or whether they are subject to taxes. You need to keep your receipts in case of an IRS audit.

14) **What if I pay for a non-qualified medical expense from my HSA?** You can use your HSA funds for non-qualified medical expenses; however, you will have to pay income taxes on that amount. If you are under age 65 and not disabled at the time you used your HSA funds for a non-qualified medical expense you will also have to pay a 20% penalty.

   If you paid for a non-qualified medical expense by mistake you can return the money to your HSA prior to your tax-filing deadline (April 15th) to avoid any taxes or penalties.

15) **I had money left over in my Healthcare Reimbursement Account (HCRA) in 2014. If I cannot contribute to the general purpose HCRA what happens to those funds?**

   New in 2015 employees who participate in the Aetha Health Fund (HSA) Plan may elect to participate in a “Limited Purpose Flexible Spending Account (LPFSA). A LPFSA can reimburse you for any dental or vision expenses or medical expense once you have satisfied the minimum deductible expenses for 2015 ($1,300 individual coverage and $2,600 dependent coverage).

   Any leftover funds in your current general purpose HCRA can be carried over into an LPFSA as long as there is a minimum balance of $100 either carried over or elected for the LPFSA. See the annual enrollment website for more information on the new LPFSA.
16) How much may I contribute to an HSA if I am in the Aetna Health Fund (HSA) Plan for less than a year? If you join the plan sometime later in a calendar year or leave the plan before the end of the calendar year then there are rules as to how much you can contribute the HSA for that year. Please see the PayFlex HSA Road Rules for the details on how you can calculate how much you can contribute to an HSA for a partial year.

17) Can I keep contributing to the account after age 65? You can keep your HSA at any age, but you can no longer make new contributions to the account after you have signed up for Medicare Part A or Medicare Part B. If you are nearing age 65 and still plan to work you may put off signing up for Medicare so that you can continue to participate in the HSA and receive the college contributions.

18) Do the tax benefits phase out at certain income levels? Unlike many other tax breaks, there aren't any income limits. Anyone who signs up for the Aetna Health Fund (HSA) Plan can open an HSA, as long as they have not yet signed up for Medicare.

19) What happens to my HSA if I die? You should choose a beneficiary when you set up your HSA. If you name your spouse as the designated beneficiary of your HSA, your spouse will inherit your HSA upon your death and it will be treated as your spouse’s HSA after your death. If you name someone else as the designated beneficiary, then that person will inherit the HSA, however, the account will no longer be considered an HSA, and the fair market value of the HSA becomes taxable to the designated beneficiary in the year in which you die. If there is no designated beneficiary, the HSA will become part of your estate and the fair market value is included on your final income tax return.