



HSA Overview

Provided by Southwestern OH EPC

What is an HSA?

An HSA is a type of savings account that allows you to set aside money on a pre-tax basis to pay for qualified medical expenses. An HSA can be funded with your tax-exempt dollars, by your employer, by a family member or by anyone else on your behalf.

HSAs are subjected to annual contribution limits. Individuals age 55 or older may be eligible to make a catch-up contribution of \$1,000.

The 2024 contribution limits are as follows:

- \$4,150 for individual coverage
- \$8,300 for family coverage

HSAs are currently only permitted to be used in conjunction with HDHPs.

What is an HDHP?

An HDHP is a plan that has a higher deductible, but typically has lower monthly premiums.

What is a deductible?

A deductible is a set dollar amount determined by your plan that you must pay out of pocket or from your HSA account before insurance begins to pay.

Why should I elect an HSA?

Enrolling in an HSA provides a variety of benefits, which include the following:

1. **Cost Savings**—HSAs serve as a savings account for future medical expenses. Additionally, HSAs provide the following tax benefits:
 - HSA contributions are excluded from federal income tax

- Interest earnings are tax-deferred
- Withdrawals for eligible expenses are exempt from federal income tax

Note: Some state tax laws do not provide favorable state tax treatment for HSAs. Therefore, amounts contributed to HSAs and interest earned on HSA accounts may be included on the employee's W-2 for state income tax purposes.

2. **Long-term Financial Benefits**—Unused funds in an HSA are held in an interest-bearing savings or investment account and roll over from year to year. This enables account holders to save for future medical expenses.
3. **Choice**—With an HDHP/HSA, you are in control of your health care expenses. You choose when to use your HSA dollars to pay for your health care expenses, or when to save your HSA dollars and pay for health care expenses out of pocket. You decide whether to use your HSA dollars to pay for nonmedical expenses and incur the additional taxes. Additionally, HSAs are portable accounts, meaning you can take yours with you even if you leave your company.

When do I use my HSA?

After visiting a physician, facility or pharmacy, your medical claim will be submitted to your HDHP for payment. Your HSA dollars can be used to pay your out-of-pocket expenses (for example, deductibles and coinsurance) billed by the physician, facility or pharmacy, or you can choose to save your HSA dollars for a future medical expense.

You may also be able to use an HSA debit card to access your HSA funds, if your HSA custodian or trustee allows it.

You may use your HSA for nonmedical expenses. However, HSA dollars that are used for nonmedical expenses are taxable

How does an HSA work?

Employee, employer, family member and/or someone else funds employee's HSA account.



Employee obtains medical services.



Employee is responsible for costs before deductible is met. The HDHP may cover costs for certain services, such as preventive care.



Employee may seek reimbursement from the HSA account for amounts paid for medical services.



Once the plan's deductible is met, the HDHP will pay for services, subject to coinsurance and other cost-sharing requirements.



Note that plan designs will vary. For details, check your HDHP summary plan description.

