UNDERSTANDING YOUR HSA

Confused about Health Savings Accounts and the health plans associated with them? You're not alone.

Every year, more people choose a health plan that can be paired with a Health Savings Account (HSA). These plans go by many names, but they all come with a higher deductible—and, typically, a lower premium—than other health plans.

An HSA allows you to save money on a pretax basis to pay for qualified medical expenses, but it also can be an effective long-term savings vehicle to help cover health care expenses in retirement.

If you want to know more about HSAs and eligible health plans, this primer should help you understand the basics.

What's an HSA?

An HSA is a tax-advantaged account individuals can establish to pay for qualified medical expenses. It is only available if you choose an eligible high-deductible health plan, are not enrolled in Medicare, have no other health coverage*, and can't be claimed as a dependent on someone else's tax return.

How the money works

78% of health benefits leaders say their company contributes to employees' HSAs[1]

After you sign up for an HSA-eligible health plan, be sure to open your account if you need to.

MONEY IN

Your employer may make a contribution, either as a lump sum at the beginning of the year or in smaller amounts throughout the year.

You make pretax contributions from your paycheck, typically in small amounts throughout the year. You may change your contribution at least once a month.

MONEY OUT

When you have a **qualified medical expense**, you can use your HSA to pay for it or you can pay from another source and save your HSA money for the future.

MONEY NOT SPENT

What you don't use this year is yours to keep, even if you leave your current job. You can save and invest it for the future.

Using your HSA and health plan

There is generally no charge for preventive care such as physicals, well-child visits, and vaccinations. When something else comes up:

GET CARE

To keep costs down, visit a provider in your health plan's network, whether it's a doctor's office, lab, or other facility. Show your insurance card. You may have to pay your copay or coinsurance at the time of your visit.

WATCH THE MAIL

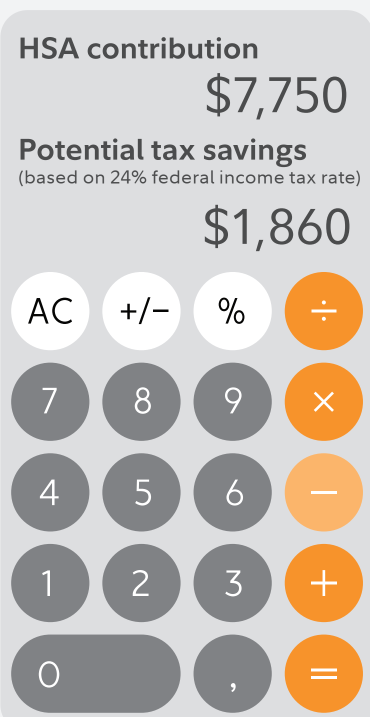
Look for these two things: a bill from your provider and an explanation of benefits from your insurance carrier. Make sure the amount you owe matches.

PAY THE BILL

You can use the funds in your HSA, or pay out-of-pocket and allow your HSA investments to stay in your account and grow. (Keep your receipts if you think you will want to reimburse yourself in the future.)

In 2023 ...

	An HSA-eligible health plan must have a deductible of at least:	The most you can contribute to your HSA:	Catch-up contribution for those age 55+:
Individual	$1,500	$3,850	$1,000
Family	$3,000	$7,750	$1,000



Tax benefits

Why fund an HSA if you're only going to spend the money this year anyway? Isn't that a hassle? Without an HSA, you're paying taxes on that money when you don't have to. HSAs let you save money three ways:[2]

1. WHEN YOU CONTRIBUTE

You don't pay tax on that money

2. AS THE MONEY GROWS

If you invest what you don't use, you aren't taxed on the earnings

3. WHEN YOU PAY YOUR BILLS

Withdrawals used to pay for qualified medical expenses are tax-free for federal tax purposes.

Look beyond your deductible

Many people fear the potential cost of a higher deductible. But that shouldn't be your only consideration in choosing a health plan. Consider these potential savings as well:

EMPLOYER CONTRIBUTION

Your employer may put money in your HSA that you can use to pay for your qualified medical expenses.

LOWER PREMIUMS

Your premium likely is lower for an HSA-eligible health plan than it would be for a traditional health plan, saving you money over the course of each year.

TAX SAVINGS

If you use your HSA for qualified medical expenses you'll be paying your deductible with pretax money, and if you invest what you don't spend, your balance has the ability to grow tax-free into retirement.

Getting started

Once you've chosen an HSA-eligible health plan, here's how to get started:

OPEN YOUR HSA

Some employers will automatically open your account, but not all of them. If you don't have an account, you could miss out on your employer's contribution.

DECIDE HOW MUCH TO CONTRIBUTE

If you can fully fund your HSA, that's great. If not, you may want to:

- Start by contributing the amount you may be saving in premiums if you are switching from a traditional health plan.
- Calculate what you think you will spend out of pocket for your deductible, copays, or coinsurance and save at least enough to cover that.

SAVE AND INVEST FOR THE FUTURE

If you don't spend all the money in your HSA this year, you may be able to invest it so it can potentially grow for the future—even into retirement. Over time, what you don't use could really add up.

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* Under IRS rules, you (and your spouse, if you have family coverage) generally can't have any health coverage other than an HDHP. However, you can still be an eligible individual even if your spouse has non-HDHP coverage provided you aren't covered by that plan. You can have additional insurance that provides benefits only for the following items: liabilities incurred under workers' compensation laws, tort liabilities, or liabilities related to ownership or use of property; a specific disease or illness; a fixed amount per day (or other period) of hospitalization. You can also have coverage (whether provided through insurance or otherwise) for accidents, disability, dental care, vision care, and long-term care.

[1] Fidelity Health Solutions Thought Leadership Employer Survey, January–February 2022.

[2] With respect to federal taxation only. Contributions, investment earnings, and distributions may or may not be subject to state taxation. The triple tax advantages are only applicable if the money is used to pay for Qualified Medical Expenses as described in IRS Publication 969. Please see a tax advisor with respect to your specific situation.

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