

# Clarifying Your Options

## Understanding a Health Savings Account

Otherwise known as an HSA, a health savings account can be funded with your tax-exempt dollars, by your employer, by a family member or by anyone else on your behalf. Dollars from the account can help pay for eligible medical expenses not covered by an insurance plan, including the deductible, coinsurance, and even health insurance premiums, in some cases.

### Who is eligible for an HSA?

Anyone who is:

- Covered by a high deductible health plan (HDHP);
- Not covered under another medical plan that is not an HDHP;
- Not entitled to (eligible for AND enrolled in) Medicare benefits; or
- Not eligible to be claimed on another person's tax return.

### What is an HDHP?

A high deductible health plan is a plan with a minimum annual deductible and a maximum out-of-pocket limit as listed in the following table. These minimums and maximums are determined annually by the Internal Revenue Service (IRS) and are subject to change.

Type of Coverage	Minimum Annual Deductible	Maximum Annual Out-of-pocket
Individual	\$1,650 for 2025 (\$1,700 for 2026)	\$8,300 for 2025 (\$8,500 for 2026)
Family	\$3,300 for 2025 (\$3,400 for 2026)	\$16,600 for 2025 (\$17,000 for 2026)

### What are the steps in an HSA?

1. Employee, employer, family member and/or someone else funds the employee's HSA account.
2. Employee seeks medical services.
3. Medical services are paid by HDHP, subject to deductible and coinsurance.
4. Employee may seek reimbursement from HSA account for amounts paid toward deductible and coinsurance.
5. Deductible and out-of-pocket maximum fulfilled.
6. Employee may be covered for all remaining eligible expenses.\*

The HDHP can provide preventive care benefits without the required minimum deductible.

*\*Subject to plan design; check your HDHP Summary Plan Description.*

### 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 (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 non-medical expenses. However, HSA amounts that are used for non-medical expenses are taxable as income to you and are generally subject to an additional 20% penalty.

## What is a deductible?

It is a set dollar amount determined by your plan that you must pay out-of-pocket or from your HSA account before insurance coverage for medical expenses can begin.

## How much can I contribute to an HSA?

The annual HSA contribution limits for 2025 are \$4,300 for self-only coverage and \$8,550 for family coverage. For 2026, these numbers will increase to \$4,400 and \$8,750, respectively. Individuals age 55 or older may be eligible to make a catch-up contribution of \$1,000. Individuals age 55 or older may be eligible to make a catch-up contribution of \$1,000.

## What is the difference between an HSA and a flexible spending account (FSA)?

An HSA can roll over unused funds from year to year and is portable if the employee leaves the company. An FSA cannot roll over unused funds from year to year and is not portable.

## Can I contribute to both an HSA and an FSA in the same year?

General-purpose FSA coverage will make you ineligible for HSA contributions. However, certain types of FSA designs will not prevent your HSA eligibility. For example, if you are covered under a "limited FSA" (for example, an FSA that covers vision, dental and/or preventive care expenses on a first-dollar basis), you can be eligible for an HSA.

Also, you can be eligible for an HSA if you are covered under a "post-deductible FSA" (that is, an FSA that only pays or reimburses for preventive care or for medical expenses that are incurred after the minimum annual HDHP deductible has been met).

Please ask if a limited or post-deductible FSA is available to you.

## What if I enroll in an HSA in the middle of the year?

Your HSA contributions are generally determined on a monthly basis. However, if you enroll in an HSA mid-year, you are allowed to make a full year's contribution, provided you are eligible on Dec. 1 of that year and you remain eligible for HSA contributions for at least the 12-month period following that year.

## Why should I elect an HSA?

### Cost Savings

- Triple 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.
- Reduction in medical plan contribution
  - Unused money is held in an interest-bearing savings or investment account.

*Note:* A few states have not passed legislation to 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.

### Long-term Financial Benefits

- Save for future medical expenses.
- Funds roll over from year to year.
- Account is portable—you take it with you even if you leave the company.

### Choice

- You control and manage your health care expenses.
  - You choose when to use your HSA dollars to pay your health care expenses.
  - You choose when to save your HSA dollars and pay health care expenses out-of-pocket.
  - You decide whether to use your HSA dollars to pay for non-medical expenses and incur the additional taxes.
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