

FREQUENTLY ASKED QUESTIONS



Health Savings Account (HSA)

What is a Health Savings Account (HSA)? An HSA is a type of savings account that lets you set aside money on a pre-tax basis to pay for qualified medical expenses. By using untaxed dollars to pay for deductibles, copayments, coinsurance and some other expenses, you may be able to lower your overall health care costs.

What is a deductible? A deductible is the amount you pay out of your pocket towards covered medical services each year before the plan begins to pay for services.

What does the deductible apply to? The deductible applies to ALL expenses including doctor visits, prescriptions, hospital visits, emergency room and urgent care services.

What happens after the deductible is met? After the deductible has been met, medical and pharmacy benefits are covered with the applicable copayment or coinsurance.

What is the benefit for putting money into an HSA? By making contributions toward an HSA, you can help put more money in your pocket while also saving for qualified medical expenses. An HSA offers a triple tax advantage:

- Pre-tax Contributions
 - The money put into an HSA is not taxed
- Tax-free Earnings
 - Any interest earned on the money is tax-free
- Tax-free Withdrawals
 - The money used to pay for qualified medical expenses is not taxed

An example of potential tax savings for someone with a taxable income of \$30,000 and a tax rate of 30%:

- With no HSA contribution, they will pay \$9,000 in taxes
- With a \$2,000 tax-free HSA contribution, their taxable income decreases to \$28,000, so they will pay \$8,400 in taxes

What is the maximum HSA contribution for 2021? The maximum amount you can put into an HSA in 2021 is \$3,600 if enrolled on a single plan and \$7,200 if enrolled on a family plan. If you are age 55 or older, you can contribute an additional catch-up contribution of \$1,000 per year.

How do I open an HSA? You can open an HSA with the banking institution of your choice. Lake Shore Saving currently offers no fee HSAs. See your Human Resources dept. for paperwork. You will also need to submit a confirmation of your account and routing numbers to your Human Resources dept.

How do I access my HSA funds? You generally receive an HSA debit card from your banking institution to help pay for your eligible medical expenses.

What can I use my HSA money for? You can use the money in your HSA account to pay for any “qualified medical expense” permitted under federal tax law. This includes most medical care and medications, as well as dental and vision care. HSAs can be used to pay for qualified medical expenses for you, your spouse and/or dependent children. Your banking institution should provide you a list of eligible medical expenses upon opening your account. The IRS maintains the official list of qualified medical expenses which can be found at www.irs.gov in IRS Publication 502, “Medical and Dental Expenses.”

What happens to the money in my HSA account at the end of the year? HSA dollars belong to the employee and are carried over at the end of the year.

What happens to the money in my HSA account if I leave TRC? The HSA account is owned by the employee and the account balance belongs to you if you were to leave. As long as you spend the funds on qualified health care expenses, there are no tax implications. You are only able to make deposits into an HSA account if you are enrolled in a qualified high deductible medical plan.

What happens when I go to the provider? Present your ID card to the provider. Your provider should not make you pay upfront for any services, instead they should bill Independent Health. Once Independent Health has processed the claim, you will receive an Explanation of Benefits (EOB), which will list the services provided, how much of the claim was applied towards your deductible, how much of your deductible you have met for the year, and the total “member responsibility,” which is the amount you owe to the provider. You can use your HSA funds to pay for any member responsibility.

My provider is making me pay upfront for services. What should I do? Explain to your provider that they should submit the claim to Independent Health for processing; you will pay after the claim has been processed and you receive your EOB. If the provider insists on a deposit, be sure to save your receipts.

Why should I review my EOB? You should review your EOB to determine how much you should pay your provider. Compare your EOB with the bill your doctor sends you and make sure you do not pay more than what is listed as the “member responsibility” on the EOB. If you paid a deposit, be sure to deduct that amount from what you pay the provider.

Why is my prescription so expensive now? All expenses, including prescriptions, apply towards the deductible. Once you have met your deductible you are only responsible for the pharmacy copay, which depends on the tier.

How do I pay for a claim that is an amount greater than what is in my account? Use your HSA card for the amount you know is in your account and pay out-of-pocket for the balance. Once you have accumulated money in your account again, you can pay yourself back.

What happens if I accidentally use my HSA card for non-health care expenses? You are responsible as the account owner to use the account for qualified expenses only. You should retain all receipts related to expenses paid out of your HSA account for seven (7) years. If you accidentally use your HSA card for a non-health care expense, pay out-of-pocket for other health care expenses until you have totaled the amount you spent on non-health care expenses.

Any funds you withdraw for non-qualified medical expenses can be taxed at your income tax rate plus 20% tax penalty if you are under 65.