HDHP-HSA PLAN QUESTIONS AND ANSWERS

This is a brief overview and is not inclusive of all tax laws regarding HSAs. More information can be found at [www.treasury.gov](http://www.treasury.gov), in IRS Publication 969, or consult your tax professional.

**How does the High Deductible Health Plan (HDHP) and Health Savings Account (HSA) work?**

On the HDHP, the deductible must be met prior to your medical plan making payment for any service, except for preventive care. All services including prescriptions must be paid for in full until the deductible is met. You can use the funds in your HSA to pay for services and prescriptions. Once the deductible is met, you are responsible for coinsurance including prescription drugs. **If there is family coverage, the entire family deductible must be met prior to your medical plan making payment.**

**Who is eligible to participate in an HSA?**

- In order to be eligible for an HSA, you must be covered by a HDHP and you or your enrolled spouse cannot be also covered under another medical plan unless the other plan is also an IRS qualified HDHP. If a spouse is covered by the school district, and is also covered by their employer or on an individual basis with a non-HDHP plan, they must choose only one of the medical plans.
- If you are no longer covered by a High Deductible Health Plan, or you enroll in Medicare, you cannot continue to contribute to the HSA, but you can continue to use the funds to pay for qualified medical expenses.
- You may not participate in an HSA if you can be claimed as a dependent on another person’s tax return.
- Any person covered under the HDHP cannot participate in a Flex-Spending Account (FSA) or Health Reimbursement Account (HRA), including VEBA, unless it is a non-medical FSA, such as a daycare reimbursement FSA, or an HRA, VEBA or FSA that is limited to non-medical expenses. If your spouse has an FSA that could cover your medical expenses, you cannot participate in an HSA.
- As the HSA is a bank account, you must be eligible to open a bank account, this process may include a credit check.

**Procedure:**

1. When going to the doctor or a pharmacy for a prescription, **always** present your medical insurance card at the time of service.
2. Your doctor will then bill your medical plan, or the pharmacy will apply your insurance information to the prescription. Your medical plan will process the claim, applying the charges to the deductible. If you go to a participating doctor or pharmacy, any discounts your medical plan has negotiated will apply and will reduce your out of pocket costs. You will also receive an Explanation of Benefits (EOB) from your medical plan, which will explain what your responsibility is and how much of the charges have been applied to your deductible.
3. You can now pay the provider with your HSA debit card. Many providers will bill you and provide space on the bill for you to write in your HSA debit card number to pay for the charges. If a provider or pharmacy does not allow credit card payments, you will need to submit your receipt for reimbursement.

**Contributions:**

- You (and/or your employer) can contribute to your HSA up to the federal annual limit. The total allowed contributions for 2012, including employer contributions, is $3,100 for an individual only; and $6,250 for a family—when the HDHP coverage is employee plus dependent(s). The limit increases to $3,250 for individual and $6,450 for family for 2013. If you are over age 55, you may contribute an additional $1,000 per calendar year. A married couple with two separate Health Savings Accounts is limited to a total of $6,250 between the two accounts if one of the spouses has a HDHP with employee + dependent(s) coverage.
- To contribute the full limit, you must be enrolled in a HDHP on December 1 of the calendar year. If you are not enrolled in a HDHP on December 1 of a calendar year, you may only contribute 1/12 the annual limit times the number of months you were covered on a HDHP.
- Your contributions to your HSA will be deducted from your paycheck on a pre-tax basis and deposited by the school district.
**Distributions:**
- Any time you go to the doctor or fill a prescription before your deductible is met, you can use the funds from your HSA. In addition, you are allowed to use your HSA for any “qualified medical expense” for medical, dental, vision, or other items that are allowed according to IRS Publication 502. For example, if you have a child who will need braces, you are allowed to contribute to your HSA with pre-tax dollars to pay for the braces. Over-the-counter drugs (with the exception of insulin) are not eligible expenses unless you have a written prescription from a physician.
- Any distribution that is not a qualified medical expense is subject to a 20% tax penalty and income taxes.

**Important facts about your HSA**
- The HSA is a bank account in your name that belongs to you. If you leave the school district, the account goes with you, and you can continue to use the account for qualified medical expenses. Any monthly bank fees for the HSA bank account are your responsibility and will be deducted directly from your HSA.
- Unlike an FSA, you can only use funds that have been already been deposited into your HSA account. If you have a bill for $400, but only $200 deposited to date in your HSA, you only have the $200 available to you.
- If you use HSA funds for anything that is not a qualified medical expense, there is a 20% tax penalty, and you must report the amount to the IRS as regular income. You should keep all receipts for purchases made with your HSA card, to prove the purchases were a qualified medical expense in case you are audited by the IRS.
- If you choose to go to a pharmacy that participates with the IIAS system, charges will be auto-adjudicated at the time of purchase. (A list of participating merchants is available at [www.sig-is.org](http://www.sig-is.org)).
- You cannot use your HSA funds for any item or service prior to your effective date on the plan. For example, if your plan was effective 10/1/12 and dentist performed a crown for you on September 5, 2012, and your portion is $400 of the cost of the crown, you cannot use your HSA funds for this service.
- You can use HSA funds for qualified medical expenses for any tax dependent, even if they are not covered by your HDHP. However, you cannot use HSA funds for qualified medical expenses for someone who is not a dependent according to the IRS, for example, a child who is over age 26, or a domestic partner who is not a tax dependent.
- All deductibles for HSA eligible High Deductible Health Plans reset on January 1 of each calendar year. There is no carry-forward of deductibles met in the prior year. Therefore, if you join a HDHP October 1, your medical expenses will be subject to the entire annual deductible for October, November and December and the entire deductible will reset on January 1.