Your health savings account

Frequently asked questions

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Health savings account (HSA)

Q. What is an HSA?

A. An HSA is a tax-free savings account that's paired with a high-deductible health plan (HDHP). By law, to open or contribute to an HSA, your medical plan must be a qualified HDHP. The required deductible is set by the Internal Revenue Service (IRS) each year. The limit for 2021 is $7,200. You can use the money in your HSA to pay for qualified medical expenses (QME). For a full list of QMEs, visit **anthem.com/qme**. You can also save money in your HSA for future healthcare costs. The account grows with interest and you have investment options after your account reaches a minimum balance of $1,000. The HSA belongs to you and the money in the account is yours to keep, even if you leave your employer.

Q. How is my HSA funded?

A. Your HSA is funded by pretax contributions, up to a certain annual limit. If you choose to contribute money to your HSA after taxes are taken out, you can claim the contributions on your tax return. Others — including your employer — may contribute to your account as well. You can earn additional dollars for your HSA by taking certain steps to improve your health. The total of all contributions cannot be more than the maximums defined by the IRS. (See the question: *How much can I contribute to my HSA?* for details.)

The IRS has specific rules on who can open an HSA. See those rules in **IRS Publication 969**.[1]

Q. I'm a veteran with a service-connected disability. Can I contribute to an HSA?

A. Yes. A 2016 amendment to the eligibility rules allows veterans with a high-deductible health plan, no disqualifying coverage, and who have a service-connected disability to make or receive HSA contributions, regardless of when they received benefits from the Department of Veterans Affairs (VA). This amendment also applies to contributions from the veteran's employer. Veterans with a service-connected disability are not blocked from HSA eligibility because they accessed VA benefits in the past three months.

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If a veteran receives VA medical benefits for a non-service-connected disability during the prior three months, they are not eligible to make or receive HSA contributions.

Q. Can I have an HSA if my spouse is on Medicare?

A. Yes, as long as you're not enrolled in Medicare and you meet the IRS eligibility requirements for an HSA. If you contribute to an HSA and cover your spouse on your plan, you can use your HSA funds to pay for qualified medical expenses for you and your spouse on Medicare.

Q. My spouse is enrolled in Medicare. Can they also be enrolled as a dependent on my HSA?

A. Yes, but your spouse cannot open an HSA account in their name. You may use your HSA to pay for qualified medical expenses for you and your spouse on Medicare.

Q. Who can use the money in an HSA?

A. The money can be used to pay for qualified medical expenses for you, your spouse, or any IRS-qualified dependent who you claimed on your income taxes, even if they're not covered on your health plan. Talk with a tax advisor to find out if these rules apply to your tax situation. You can also go to **irs.gov** to find out who qualifies as a dependent.

Q. I am enrolled in an HSA. Can I continue to contribute to my spouse's HSA and use their bank?

A. You and your spouse can continue to make contributions to their HSA, but you can't contribute more than the IRS family contribution maximum between both accounts. For 2021, the family contribution maximum is $7,200.

Q. My child is under 26, but I no longer claim them on my taxes. Can I still cover them using my HSA?

A. The IRS has specific rules about covering children and children of divorced or separated parents. Please see **IRS Publication 969**[1] and talk with a tax advisor. You can cover dependents under age 26 but you can't use your HSA for their expenses unless they meet the following requirements:

- You can claim the child on your tax return.
- Your child is under age 19 or age 24 if a full-time student, or totally and permanently disabled.

Dependents who don't qualify to receive funds from your HSA may qualify to open their own HSA and could be permitted to contribute up to the family maximum (for 2021, this is $7,200). They can contact a financial institution to discuss how to set up a separate HSA.

Q. What's the difference between an HSA and a healthcare flexible spending account (HCFSA)?

A. Both HSAs and HCFSAs can be funded with pretax dollars and be used to pay for qualified medical expenses. However, HSA balances roll over from year to year, while HCFSA money is generally forfeited if it's not spent during a 12-month period. Additionally, if you leave your employer, your HSA dollars are yours to keep but HCFSA dollars are forfeited.

Q. Can I have an HSA and an FSA?

A. Yes, you can have both an HSA and a compatible FSA, as long as it's defined as a:

- **Limited-Purpose FSA**, which may be limited to dental or vision services.
- **Post-Deductible FSA**, which also allows for dental or vision services, as well as paying for coinsurance under the traditional health component of your plan, after meeting the deductible.
- **Dependent Care FSA**, you can use tax-exempt funds to pay for childcare expenses that you incur while at work. Employees can also use FSAs to cover adult daycare expenses for elderly family members who live in the home.
- **Commuter Benefits**, to pay for work transportation and parking.

Making contributions to your HSA

Q. How much can I contribute to my HSA?

A. The annual contribution maximum in 2021 is $3,550 (2020) $3,600 (2021) for individual coverage and $7,100 (2020) $7,200 (2021) for family coverage. The maximums are set by the IRS and may increase every year due to inflation. Check **irs.gov** for the most current maximum amounts.

Q. Can I ever contribute more than the annual limit?

A. Yes, people age 55 and older who are not enrolled in Medicare can contribute an extra $1,000 above the regular limits. This is called a "catch-up contribution." These individuals can make catch-up contributions each year until they enroll in Medicare.

Only the account holder can make catch-up contributions. The contribution amounts allowed are subject to proration if you are enrolled in the plan less than 12 months or under other circumstances. Catch-up contributions can be made in the same way your regular contributions are made.

Q. What if my spouse has an HSA, too?

A. The chart below explains different situations:

If your spouse:	And you have:	Then, the IRS:
Has PPO (preferred provider organization) self + children coverage.	HDHP (high-deductible health plan) self-only coverage.	Treats you as having single coverage and only you may set up an HSA. You may contribute up to $3,550 (2020), $3,600 (2021).
Has HDHP self-only coverage with a $1,500 deductible.	HDHP self + child coverage with a $3,000 deductible.	Treats you both as having family coverage, and combined you may contribute up to $7,200 to your HSAs.
Has HDHP self + family coverage with a $3,000 deductible.	HDHP self + spouse coverage with a $3,000 deductible.	Treats you both as having family coverage, and combined you may contribute up to $7,200 to your HSAs.
Is enrolled in Medicare.	HDHP self + family coverage only.	Will only allow you to set up an HSA. You may contribute up to $7,200.

Q. Does tax filing status (joint vs. separate with my spouse) affect my HSA contribution?

A. Tax filing status does not affect your contribution. Contribution limits are based on whether you have single or family medical plan coverage, not your tax filing status.

Q. Can I use my HSA to pay for eligible expenses for my spouse even if we file our taxes separately?

A. Yes, the IRS requirements simply refer to eligible expenses for the "spouse" — they do not include requirements for filing jointly or separately.

Q. Can I contribute to an HSA if my spouse has an HCFSA?

A. Usually, a healthcare FSA covers the expenses of the participant and their spouse and dependents. If your spouse has an HCFSA, it most likely covers your healthcare costs. If so, then you won't be able to make contributions to your HSA.

There are exceptions to this rule. For example, if your spouse's HCFSA is a limited-purpose HCFSA that only covers dental and vision costs. See **IRS Publication 969**.[1]

Q. Can I use my HSA to pay for medical expenses I had before my account was set up?

A. No, you cannot be reimbursed for qualified medical expenses from before the date your HSA was established.

Q. What happens if I have a medical expense early in the year and there isn't enough money in my HSA to cover my out-of-pocket costs?

A. An HSA works like a bank account. You can only spend what's in the account. However, you can wait to start the reimbursement process for services incurred after you enrolled in your HSA until you have more funds in your account. You can also set up recurring payments for larger expenses as the HSA is funded.

Q. Are dental and vision care considered qualified medical expenses for the purposes of an HSA?

A. Yes, many dental, orthodontia, and eye care expenses are considered qualified medical expenses. However, cosmetic procedures, such as cosmetic dentistry, would not be considered a qualified medical expense. For a detailed list, please use the QME tool at **anthem.com/qme.**

Q. How can I find out more about HSA regulations?

A. Go to the U.S. Treasury website at **treasury.gov** and enter HSA in the search box. You may also read **IRS Publication 969**.[1]

Q. I am enrolled in a health reimbursement account (HRA). What happens to that money if I choose an HSA for 2021?

A. Unused funds from your HRA will be transferred to a separate account. The funds in this account do not count toward the annual contribution maximum for HSAs. The funds in this account will automatically be used to lower your coinsurance for healthcare costs you have after you meet your annual deductible.

Q. Are any administrative fees charged to my HSA?

A. Yes, see a **list of standard administrative and other related fees** that may be charged to your HSA by your administrator.

Q. Do I have to use funds from my HSA to pay for healthcare costs?

A. No, you may pay out of pocket with after-tax dollars and let your HSA balance grow tax-free.

Q. How does the money I contribute to my HSA help me save on taxes?

A. Any money you contribute to your HSA is (federal) tax-deductible. That means it's not counted as taxable income for the year. If you put $1,000 into your HSA, your adjusted gross income for the year is lowered by $1,000, which could lower what you owe for taxes, depending on your tax status.

Tax benefits

Q. What are the tax benefits of an HSA?

A. There are several benefits:

- Contributions to the account are tax-free.
- Any investment and interest earned in your account are (federal) tax-free.
- Withdrawals from the account for qualified medical expenses are (federal) tax-free.
- Depending on the state where you live, you may save on state taxes as well.

Your privacy

Q. Is your website secure?

A. Yes, our customer-only website is secure and password-protected. Your personal information is kept safe using the highest encryption level available.

Q. What is your privacy policy?

A. You can read the *Privacy Policy* anytime at **anthem.com**.

Do you have additional questions?

Connect with us online at **anthem.com** or call Member Services at the number on your ID card.

The information included does not constitute legal, tax, or benefit plan design advice. We strongly encourage you to consult with a tax advisor before establishing a health savings account. Any health savings account will be established between the individual account holder and the HSA custodian or trustee. Anthem is responsible for the administration of the health plan, and the custodian is responsible for the administration of the HSA.

1 Internal Revenue Service. ***Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans*** (January 3, 2020): irs.gov/pub/irs-pdf/p969.pdf.

2 Internal Revenue Service. ***Publication 502, Medical and Dental Expenses (Including the Health Coverage Tax Credit)*** (January 8, 2021): irs.gov/pub/irs-pdf/p502.pdf.