

Health Savings Account (HSA) Fact Sheet

What is a Health Savings Account?

The Madison Public Schools offers a health insurance plan called a Health Savings Account (HSA) which requires employee's to meet an annual (July – June) deductible on medical and prescription expenses. Thereafter, the plan provides 100% coverage for in-network health care expenses. The annual deductible does not apply to in-network preventive care which is paid at 100%. Another name for this type of health insurance plan is a high-deductible health plan (HDHP).

In addition, a health savings account is also a personal tax-advantaged banking account that gives you a way to pay for health care expenses, including annual deductibles for your health plan. The Board of Education, pursuant to union contract provisions, provides monthly payments to an employee's health savings account to off-set the annual deductible. An employee can also opt to make tax-free payroll contributions to their health savings account. This fact sheet will provide further information regarding this tax-advantaged savings account.

Eligibility

- Health Savings Accounts are available to eligible individuals if they are covered by a qualified, high-deductible health insurance plan (HDHP). An individual enrolled in an HSA-eligible plan cannot have other non-HDHP coverage. Vision, dental, accident, disability, auto and certain other insurance policies are permitted.
- Individuals enrolled in Medicare are not eligible to contribute to HSAs. However, they can still spend money they have previously accumulated in their HSA.
- Individuals who can be claimed as a dependent on another person's tax return are not eligible.

HSA Contribution Guidelines

- Annual contributions for 2016, including employer contributions, cannot exceed the statutory dollar maximum of \$3,350 for an individual or \$6,650 for a family.
- Catch up contributions of up to \$1,000 are available for individuals who are 55 or older.
- Both employers and employees can make contributions to the account.
- There is no minimum contribution required.
- Contributions by an employer are not taxable income to the employee and are made on a monthly basis.
- Contributions by an employee may be made on a pre-tax basis on a bi-weekly payroll schedule (20 total contributions per year).
- Employees, not the employer, are responsible for ensuring that contributions do not exceed the annual maximum.
- Pro-rating the maximum contribution may not apply as long as the employee was enrolled by December 1st of the tax year and remains enrolled in a high-deductible health plan and eligible for a HSA for a 13 month period.

How the HSA Account Works

- The HSA is a cash account owned by the employee, not the employer. Employers may not place limits on these accounts beyond those specified by the federal government.
- Employees may open a HSA account with a bank of their choosing.
- Cash balances remaining in an HSA at the end of the deductible year (July – June) can roll over to the next year.
- The account is fully portable if an employee leaves Madison Public Schools. It remains the property of the employee until the funds are exhausted. Each account owner names a beneficiary, who becomes the new owner of the account in the event of the death of the account holder.
- Funds may be accessed through a debit card or check which will be issued by the bank holding the HSA.
- Interest may be earned on HSA balances, tax-free.

Using your Health Savings Account

- Employees may use the HSA to pay for qualified health care expenses, but are not required to use it. The money belongs to you and you may elect to spend it or save it in the tax-advantaged account as you see fit.
- All expenses specified by the IRS are eligible for reimbursement by the HSA on a tax-free basis:
 - Doctor visits, hospital expenses, lab, x-ray, and other diagnostic services
 - Prescription drugs, dental care, vision care, hearing aids
- The HSA may be used for a number of expenses in addition to those outlined above, including long-term care insurance premiums, and COBRA payments.
- The HSA may be used for eligible expenses by the employee and dependents.
- HSA funds used for purposes other than the above are considered taxable income and an additional excise tax penalty of 20% applies.

HSA Record Keeping

- It is the responsibility of the employee to maintain all records of the health savings account and to substantiate proper use of the funds.
- Employees should keep copies of all health care and other applicable expenditures from the account.
- These expenses receipts do not need to be filed with your tax report but the records must be maintained in case of an audit.
- Medical expenses paid from a health savings account cannot be included in itemized deductions on your annual tax return.