

WHAT HAPPENS TO MY ACCOUNT WHEN I TURN AGE 65?

Once enrolled in Medicare, a person can no longer make contributions to an HSA, but may continue taking tax-free distributions for medical expenses and taxable distributions for non-medical expenses.

CAN MY MONEY BE USED FOR NON-MEDICAL EXPENSES?

If distributions from the account are used for non-medical expenses, the amounts will be taxed and subject to an additional 10% penalty.

People age 65 and older, disabled or those who inherit an HSA upon death of the account holder are not subject to the 10% penalty.



Educators Benefit Consultants, LLC
3125 Airport Parkway, NE
Cambridge, MN 55008

Phone: 763-552-6053
Toll Free: 888-507-6053
Fax: 763-552-6055
www.ebcsolutions.com

Health Savings Accounts



WHAT IS A HEALTH SAVINGS ACCOUNT?

A Health Savings Account (HSA) is a tax-exempt trust established for the purpose of paying for qualified medical expenses incurred by the account beneficiary.

An HSA is individually owned, which means you make decisions regarding contributions and reimbursements. An HSA can be funded by you and/or your employer.

Contributions made by your employer are tax-free and you can deduct your own after-tax contributions to your HSA on your income tax return. You may also contribute to your HSA on a pre-tax basis through your 125 Flex Plan if your employer allows for this type of deduction.

AM I ELIGIBLE FOR AN HSA?

- You must be enrolled in a High Deductible Health Plan (HDHP) in order to open an HSA. Your insurance provider or employer can verify whether you have such a plan.
- You cannot be covered by any other type of health insurance other than a HDHP. This includes a “Full-Use” Medical Flexible Spending Account¹ and/or a Health Reimbursement Arrangement, TriCare, or a separate prescription drug plan.
- You cannot be enrolled in Medicare Part A or B.
- You cannot be named as a dependent on another person’s tax return.

¹Please refer to EBC’s pamphlet entitled “Health Savings Accounts and Flexible Benefits Plan - How They Work Together”.

DOES MY PLAN QUALIFY AS A HDHP?

If your insurance plan falls within these parameters it may qualify. Check with your insurance provider.

Single Coverage

Annual deductible has to be at least \$1,500; and annual out-of-pocket expenses must not exceed \$5,800.

Family Coverage

Annual deductible has to be at least \$2,300; and annual out-of-pocket must not exceed \$11,600.

WHAT ARE THE CONTRIBUTIONS LIMITS?

2009 Tax Year

Single Coverage \$3,000

Family Coverage \$5,950

If you are between the ages of 55 and 65 you may contribute an additional \$1,000 to your account.



WHAT IS A QUALIFIED EXPENSE?

An eligible expense includes out-of-pocket health care expenses such as co-pays, deductibles, medical services, including dental and vision care, hospital costs, prescription drugs, over-the-counter items and long-term care insurance.

If over age 65, Medicare Part B and D, and the employee’s share of premiums for Employer-Sponsored retiree health insurance are also eligible expenses.

NON-QUALIFIED EXPENSES

- Health Insurance premiums
- Medicare Supplemental and Medigap policy premiums

