Health Savings Accounts

When you enroll in one of the high deductible health plans, you can also open a health savings account (HSA) through Health Savings Administrators. This account can help you fund your deductible, coinsurance, and other qualified medical expenses. When you successfully open the account, you may choose to make contributions to the account directly from your paycheck. If you are enrolled on January 1st and remain enrolled for the full calendar year, PrimeLine will make a total annual contribution of $1,000 to your account if you are enrolled in self-only coverage OR $1,500 for other coverage tiers. For those who are enrolled on January 1st, PrimeLine will front load $250 into your account in early January and disperse the remaining amount according to your pay schedule.

What is a qualified High Deductible Health Plan?

A qualified high deductible health plan (HDHP) is the only type of plan that allows you to make contributions to a tax-advantaged HSA. With the exception of preventive care, all medical and pharmacy expenses are your responsibility until you meet the annual deductible. After you meet the deductible, coinsurance may apply until you meet your out of pocket maximum.

What is a Health Savings Account?

A HSA is a tax-advantaged account you can use to pay for medical expenses incurred by you, a spouse or a tax dependent. Contributions, investment earnings and qualified withdrawals are all exempt from federal income tax, FICA tax and most state income tax*.

You may make contributions through payroll deduction up to IRS limits. The annual limit depends upon whether you are enrolled in the qualified HDHP with self-only coverage or with dependents, as well as how much of the year you are covered by a qualified HDHP.

Please be conservative when contributing towards the HSA mid-calendar year, as contribution limits are prorated based on the number of months you are enrolled in a qualified HDHP. The IRS imposes a penalty on excess contributions in the form of an income tax and a 6% additional tax on the excess contribution amount. You are responsible for tracking your contributions to ensure you don't exceed the maximum allowable contribution. See 2021 limits on the bottom of page 9.

***HSA contributions are subject to state taxes in Alabama, California and New Jersey. HSA earnings are subject to state taxes in California, New Hampshire and Tennessee. Please consult a financial advisor or your state's Department of Revenue for more information.**

Who qualifies for an HSA?

All employees eligible for health benefits may enroll in the HDHP options, but under strict IRS rules, not everyone is eligible to contribute to or receive contributions to a HSA. If you are not eligible to contribute or receive contributions, or want to close your account for another reason, you must contact Health Savings Administrators.

To be an eligible individual and qualify for an HSA, you must meet the following requirements:

- You must be covered under a qualified HDHP on the first day of the month.
- You have no other health coverage except what is permitted (e.g. a limited-purpose health FSA or HRA).
- You are not enrolled in Medicare (including Medicare Part A).
- You cannot be claimed as a dependent on someone else's tax return (except your spouse's).

Under the IRS's last-month rule, you are considered to be an eligible individual for the entire year if you are an eligible individual on the first day of the last month of your tax year (December 1 for most taxpayers), as long as you remain an eligible individual for at least 13 months.

Who can use the HSA?

You do not pay taxes on the funds you use to pay for qualified health care expenses. The following individuals can use HSA funds:

1. You and your spouse.
2. All dependents you claim on your tax return.
3. Any person you could have claimed as a dependent on your return except that:
    - The person filed a joint return,
    - The person had gross income of $3,700 or more, or
    - You, or your spouse if filing jointly, could be claimed as a dependent on someone else's tax return.

What are Eligible Medical Expenses?

You can use your HSA to pay for a wide range of eligible medical expenses for yourself, your spouse or tax dependents. Funds used to pay for eligible medical expenses are always tax-free, and you can continue to use your HSA funds even if you're not covered by an HSA-compatible plan.

- Deductibles, coinsurance
- Dental care – braces, dentures
- Vision care – glasses, contacts, Lasik surgery
- Medical equipment
- COBRA premiums
- Long Term Care insurance
- Prescription medications

For additional information, please refer to IRS publication 502, "Medical and Dental Expenses."

Funds used to pay for qualified medical expenses, referred to by the IRS as distributions, are tax free (certain state income taxes apply). If you use your HSA to pay for an ineligible expense, you must report it on your federal income tax return and pay the related taxes, plus a penalty. (After age 65, the penalty does not apply.)

HSA Perks

- Money put in your HSA is tax free and earns interest tax free.*
- Money left in your account at the end of the plan year rolls over to the next year.
- You own the money in your HSA so you keep it even if you change plans or jobs.

HSA Limits

- 2021 contribution limits, as established by the IRS, are $3,600 for employee only coverage and $7,200 if you cover at least one dependent.
- PrimeLine's contribution counts toward these maximums.
- An additional $1,000 "catch-up" contribution is allowed for individuals over age 55.

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