HEALTH SAVINGS ACCOUNTS: FAQS

Marquette University wants to ensure that you maximize the benefits of participating in a Health Savings Account (HSA). These FAQs include some of the most commonly asked questions about HSAs. It is important that you remain in compliance with HSA regulations to avoid penalties. Please contact a financial advisor if you have further questions or concerns about enrolling in an HSA.

What is a Health Savings Account (HSA)?

An HSA is a tax-advantaged personal savings account that can be used to pay for medical, pharmacy, dental, vision and other qualified expenses now or later in life. Since it is a *savings* account, you are encouraged to save more than you spend. Unlike Flexible Spending Account (FSA) funds which are "use-it-or-lose-it", your HSA balance rolls over from year to year, earning interest along the way. The account is portable, meaning if you ever change health plans or leave Marquette, you can still use and/or take the HSA with you because it's your money and your account.

How do I become eligible for an HSA?

In order to be eligible for an HSA, you must be enrolled in a qualified health insurance plan, not covered under a secondary health insurance plan (including coverage under Marquette's or a spouse's general purpose Health Care FSA), not enrolled in Medicare and not another person's tax dependent. A qualified health insurance plan is one that meets certain deductible and out-of-pocket requirements set by the government. Both the AHDHP and EHDHP plans offered by Marquette meet these requirements.

Do I have to set up an HSA on my own?

If you are eligible for an HSA contribution from the university (please see "How do funds go into the HSA?" below), Marquette will set up an HSA for you through Employee Benefits Corporation, the vendor who also administers our FSA program. If not, then you may choose to set up an HSA on your own.

How do funds go into the HSA?

There are two ways Marquette will contribute funds to your HSA. First, EHDHP plan participants will get an automatic contribution from Marquette just for enrolling in the plan. Second, if you enroll in the AHDHP or EHDHP plan and complete (along with your covered spouse, if applicable) the Health Risk Assessment (HRA) process during the annual enrollment period, Marquette will provide a $250 contribution for Single coverage or $500 for non-Single coverage. Any and all Marquette contributions will be made on or around the first of the year (for existing employees).

In addition, employees can contribute their own funds to an HSA. For your convenience, Marquette allows you to make (pre-tax) payroll deductions (note: if you are currently making pre-tax HSA contributions, they will continue as-is unless you request a change). You can also make after-tax contributions from your personal checking account, which can then be deducted on your personal income tax return. You will need to initiate this (after-tax) process on your own – Marquette will not facilitate.

IMPORTANT: If you are enrolling in the AHDHP or EHDHP plan for the first time and you have a balance in a general purpose Health Care FSA, you (and Marquette) are not able to contribute funds to your HSA until the end of the FSA runout period.

How much can I contribute to my HSA?

Annual contributions from all sources (you, Marquette and any other individual) may not exceed $3,450 if you have Single coverage or $6,900 if you have non-Single coverage (for 2018). Individuals aged 55 and over may make an additional $1,000 catch-up contribution. Married individuals may each make a catch-up contribution, although the maximum amount that can be contributed to one HSA for 2018 is $7,900 (the $6,900 statutory maximum plus a $1,000 catch-up contribution). Please note there is a 6% excise tax on any individual contribution that exceeds the allowed annual maximum.

What if I make changes to my coverage mid-year?

In general, contributions are limited by a 1/12 rule (or pro-rated share) and potentially a testing period. Please see IRS Publication 969 and IRS Form 8889 at www.IRS.gov for examples and for a testing period worksheet.

How do I access the funds in my HSA?

If you are enrolled through Marquette, you will receive an Employee Benefits Corporation Benefits Card. This will work very much like a debit card you would have linked to your checking account. You are responsible for ensuring the money is spent on qualified purchases only – health plan deductibles, coinsurance and co-pays (including those for pharmacy expenses), dental care, vision and certain medical supplies – and maintaining records to substantiate purchases in the event of an IRS audit. Please note that you must have a balance in your HSA to make a withdrawal/purchase.

Can I pay for the healthcare expenses of my spouse and/or children with my HSA even if they're not covered under my HSA-qualified coverage?

Yes, the money in your HSA can be used to pay for any tax dependent family member's qualified healthcare expenses, even if they're not covered under an HSA-qualified plan or your (Marquette) plan.

Are HSA funds taxed when withdrawn?

No. Eligible healthcare purchases can be made tax-free when you use your HSA. However, if you withdraw money for an unqualified expense prior to age 65, you'll pay a 20% excise tax in addition to applicable income taxes on the withdrawal. After age 65, you can withdraw money for any reason without penalty (but income taxes still apply).

Can I have an HSA and participate in Marquette's general purpose Health Care FSA at the same time?

No, you cannot participate in the university's traditional Health Care FSA program if you have an HSA. However, you may enroll in a Limited Purpose Health Care FSA, which allows you to use your spending account dollars to reimburse eligible dental and/or vision only expenses (if you prefer not to use your HSA funds for these expenses). **Please note that if you have an HSA, you may still participate in the Dependent Care FSA. Please remember that all FSA programs are "use-it-or-lose-it" accounts.**

HEALTH SAVINGS ACCOUNTS AND MEDICARE

Do I lose my HSA eligibility at age 65?

No. You can open and contribute to an HSA at age 65 or later as long as you meet HSA eligibility requirements, which are:

- You're covered on an HSA-qualified medical plan.
- You're not someone's tax dependent.
- You don't have any conflicting coverage (including enrollment in Medicare).

Turning age 65 does not, in and of itself, preclude you from remaining HSA-eligible.

Does enrollment in Medicare impact my HSA eligibility?

Yes. Medicare doesn't offer an HSA-qualified option. You can't make contributions to your HSA for any months after you enroll in any Part of Medicare, even if you're also covered on an HSA-qualified plan.

Can I continue to contribute to my HSA once I'm enrolled in Medicare?

No. You lose HSA eligibility once you enroll in Medicare, so you can't make additional contributions. You can contribute for months that you were eligible before you enrolled in Medicare. For example, if your 65th birthday was May 6 and you enrolled in Medicare immediately, your effective date of Medicare coverage would be May 1. You can make contributions for the months of January, February, March and April at any point up to the date that you file your personal income tax returns for that year, even though you may not be HSA-eligible at the time that you make your retroactive contribution for those months.

If I'm no longer HSA eligible, can I make tax-free distributions for eligible expenses?

Yes. HSA eligibility relates to your ability to make contributions. Once you open an HSA, you can make tax-free distributions for eligible expenses for the rest of your life, as long as you still have a balance in your account.

Which expenses can I reimburse from my HSA once I'm enrolled in Medicare?

You can still reimburse tax-free all eligible out-of-pocket expenses not reimbursed by other insurance or other sources, including medical plan deductibles, co-pay and coinsurance; dental and vision expenses; insulin and diabetic supplies; certain over-the-counter equipment and supplies; and certain over-the-counter drugs and medicine with a prescription.

In addition, you can reimburse certain insurance premiums, including premiums for Medicare Parts B and D, Medicare Part C (Medicare Advantage – plans offered by private insurers that replace Medicare coverage) and some Medicare supplement plans.

For more information regarding HSAs, please refer to the materials on the benefits website.