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HEALTH SAVINGS ACCOUNT (HSA) FAQ'S for BTTHR Employees

What is an HSA?

A Health Savings Account (HSA) is a special tax-advantaged savings account for the purpose of paying for eligible medical expenses. An HSA allows you to pay for eligible health care expenses and save for future qualified medical and retiree health care expenses on a tax-favored basis.

HSAs provide triple-tax advantages: contributions, investment earnings, and qualified distributions all are exempt from federal income tax, FICA (Social Security and Medicare) tax and state income taxes (for most states). Unused HSA dollars roll over from year to year, making HSAs a convenient and easy way to save and invest for future medical expenses. You own your HSA at all times and can take it with you when you change medical plans, change jobs or retire.

Funds in the account not needed immediately for medical related expenses may be invested after *you have at least \$2,000 in the account*, providing the opportunity for funds to grow. Investment options include money market accounts, mutual funds, etc. Additional information is available on the HRC Total Solutions (HRCTS) Portal.

Who is eligible to open an HSA?

You are eligible to open an HSA account as a participant in the BTTHR Solutions NHP Prime HSA Plan provided you meet the following criteria:

- You must have a valid Social Security Number (SSN) and be a primary residence in the U.S.
- You cannot be covered by any other type of health plan, including Medicare Part A or Medicare Part B.
- You cannot have accessed your VA medical benefits in the past 90 days (to contribute to an HSA).
- You cannot be claimed as a dependent on another person's tax return (unless it's your spouse).

Do I have to contribute to an HSA?

No. The choice is yours.

However, you need to enroll into the HSA provided through BTTHR Solutions so that employer contributions can be made as part of your participation in the NHP Prime HSA plan.

How do I make contributions to an HSA?

Tax-free contributions to your HSA can be made in a variety of ways, including:

1. Pre-tax payroll contributions, available through BTTHR Solutions.
2. Online transfers — transfer funds directly to your HSA from your linked personal savings or checking account
3. Rolling over or making a transfer from an existing IRA (Individual Retirement Account) to an HSA, but only once in your lifetime.

Will BTTHR Solutions make contributions to the HSA?

Yes, BTTHR Solutions will contribute up to \$1,000 to your HSA each plan year (October 1 – September 30) in monthly installments of \$83.33 while you remain an active employee.

How are HSA funds distributed?

Distributions from your HSA are used to pay for qualified medical expenses. This can be done by the following methods:

1. Paying for purchases and medical services using your HRC Total Solutions (HRCTS) iCard VISA Debit Card.
2. Using online bill pay through your online HSA portal or HRCTS Mobile Application.
3. Requesting self-reimbursement through the online portal or HRCTS Mobile Application when you have already paid out-of-pocket for qualified expenses.

Am I responsible for any fees connected to my HSA Account?

Generally, BTHR Solutions pays all of the fees associated with your HRA. There are however, a few instances where you may be charged a fee:

1. Monthly Paper Statements: \$2.00/month (No cost for emailed statements)
2. Paper Check Reimbursement: \$3.00/check (No cost for Direct Deposit)
3. Replacement Debit Card Fee: \$5.00 per replacement debit card

Which expenses are considered IRS-qualified medical expenses?

You can pay for a wide range of IRS-qualified medical expenses with your HSA, including many that aren't typically covered by health insurance plans. This includes deductibles, co-insurance, prescriptions, dental and vision care, and more. A list of eligible expenses is attached to the email for your convenience.

Can I use my HSA funds to pay for an expense that isn't "IRS-qualified"?

If you pay for an ineligible expense, you must report it in your annual income tax filing and pay the related income taxes, plus a 20% tax penalty. (After age 65, the penalty does not apply.)

Can an HSA be used to pay previous expenses?

You can pay or reimburse yourself for any eligible medical expenses incurred **after** your HSA was established.

Can I use my HSA for a spouse?

You can use your HSA to cover qualified medical expenses for you, your spouse, and any dependent children included on your income tax return.

How much can I contribute to my HSA?

The 2020 maximum contribution limit for employees with a single plan is \$3,550 and for those with a family plan is \$7,100. Individuals age 55 and older can make an additional \$1,000 catch-up contribution. *Note: The amount BTHR Solutions contributes is included as part of the maximum contribution limit.*

Who can contribute to an HSA?

Any eligible individual may contribute to an HSA. For an HSA established on behalf of an employee, both the employee and the employer may make contributions.

Are HSA contributions tax deductible?

You can claim a tax deduction for contributions up to the applicable maximum contribution that you, or someone other than your employer, make to your HSA even if you do not itemize your deductions on Form 1040. Contributions up to the maximum contribution limit made by your employer may be excluded from your gross income.

What if I don't use all of my funds within the year?

Unused HSA funds roll over year to year; there is no "use it or lose it" penalty. Funds that are rolled over continue to grow and earnings are tax free.

What if my employment ends with BTHR Solutions & I am no longer covered under a high deductible health plan (HDHP)?

Your HSA funds are never lost due to changes in employment or health plan. You still have access to your funds and can use them to pay for IRS-qualified medical expenses. However, you will not be eligible to make contributions.

BTHR will keep your HSA open for up to 6 months or until the end of the calendar year, whichever is later. After your employment ends, you can choose any of the following options

1. Use up the funds on medical/dental expenses (tax penalties only occur if used on ineligible expenses)
2. Leave your funds in the plan until your HSA Account is terminated.
3. Withdraw funds - HRCTS will mail a paper check (subject to tax penalties)
4. Transfer funds to a different HSA
5. Signup for an Individual HSA with HRCTS (can use but not contribute unless paired with another HDHP)

Once your HSA is terminated, you will have 30 days before your account is closed and HRCTC issues a final payment directly to you.