

# Understanding HSAs

## What is an HSA?

An HSA is a savings account that you can use to help cover qualified health care expenses. You must be enrolled in a high-deductible health plan to participate. Unlike an FSA, there is no “use it or lose it” rule and it comes with triple-tax benefits:

- Deposits are income tax-free
- Savings grow tax-free
- Withdrawals made for qualified expenses are also income tax-free

For 2022, you can contribute \$3,650 through payroll deduction if you have individual coverage or \$7,300 if you have family coverage. The IRS also allows catch-up contributions of \$1,000 if you are age 55 or older.

## Your HSA

An HSA will be opened with Optum Bank® for all newly enrolled HSA participants. Once your account is opened, you will receive a Welcome Kit in the mail. As long as you maintain an account balance of \$500 or more, you will not be charged the \$1 monthly account maintenance fee. If your account balance is \$2,000 or more, you can choose to invest funds – look for details in your Welcome Kit.

## Contributions from your employer

If you enroll in the HDP during annual enrollment, your employer will make a one-time cash deposit to your HSA in January. For new employees, these “seed money” contributions are available as soon as possible once your HDP becomes effective.

If you are not eligible for HSA contributions – for example, if you are enrolled in Medicare – the seed money contribution will go to an LP-FSA. Seed money is not offered to those who add coverage in the high-deductible plan as a result of a mid-year qualifying event.

## If you enroll in the HDP with an HSA, be sure to save receipts.

You are responsible for verifying your HSA was used for eligible medical expenses under the IRS tax code. Contact Optum Bank for details.

# 4 things you need to know about HSAs

**The PEBC HDP is an HSA-eligible plan. You can deposit funds in an HSA if:**

1. You are covered under an eligible high-deductible plan (like the HDP).
2. You are not covered by another medical plan (unless it is an HDP) or a general-purpose FSA.
3. You are not enrolled in Medicare.
4. You cannot be claimed as a dependent on someone else's tax return.

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**PLEASE NOTE:** Some other restrictions apply, especially if you receive services at a VA facility or clinic. Contact your tax or financial advisor if you have questions. If you switch to a health plan that makes you ineligible to continue depositing money in an HSA, you can continue to use the money in your account for qualified medical expenses, but you can no longer make deposits.

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## Build your balance

You can also make pretax contributions to your HSA, up to IRS limits, to help your account grow.