



Health Savings Account (HSA) Employer Frequently Asked Questions (FAQs)

Section 1: Overview

Q: What is a Health Savings Account (HSA)?

A: A Health Savings Account (HSA) is a tax-advantage way for employees to invest money to pay for eligible healthcare expenses now or in the future. Like a 401(k), an HSA belongs to the individual and goes with the individual even when they change jobs, employers or healthcare insurance providers. Unused balances remain in the account for future use.

Q: Who is eligible for a HSA?

A: To be eligible for an HSA, an individual must be covered by a High Deductible Health Plan (HDHP), must not be covered by other health insurance (does not apply to specific injury insurance and accident, disability, dental care, vision care, long-term care), is not enrolled for Medicare, and cannot be claimed as a dependent on someone else's tax return.

Q: What is an HDHP?

A: HDHP is simply a health insurance plan with a minimum deductible of \$1,050 (single coverage) or \$2,100 (family coverage).

- For the current year, the annual out-of-pocket (including deductibles and copays) cannot exceed \$5,250 (single coverage) or \$10,500 (family coverage).
- HDHPs can have first dollar coverage (no deductible) for preventive care and higher out-of-pocket expenses for out of network services.

Q: How do I know if my HDHP is HSA compliant?

A: The IRS has mandated certain guidelines in order for a HDHP to be compliant. Avera Health Plans (AHP) offers the Avera HSA.

Q: What medical expenses are allowed using a HSA?

A: In general, an individual can use the funds from a HSA on all medical, dental, vision, chiropractic visits, and acupuncture expenses. Typically, funds from the HSA cannot be used on insurance premiums, unless an individual is unemployed and collecting Federal unemployment benefits. For a complete list of qualified healthcare expenses, visit www.wfhbs.com/averahealthplans and follow the links to IRS Health Care Publication 502.

Q: Can funds from a HSA be used for non-medical expenses?

A: Yes, funds can be used for non-medical expenses but the withdrawn funds are then subject to all applicable income taxes and penalties.

Q: If an individual chooses not to be covered by their employer's plan, can they still have a HSA?

A: Yes, provided a qualified HDHP is purchased. The HSA would need to be purchased individually, and the employer would not be able to contribute.

Q: What are the major differences between the Avera HSA and the traditional Avera Choice options?

A: There is one major difference between the Avera HSA compared to traditional Avera Choice products, and that is how the family plan deductible works. Under Avera HSA, the family plan benefits will be paid for any individual family member once the total family deductible is satisfied. Under the traditional Avera Choice products, the benefits are paid for an individual family member after the individual's deductible is met.

Section 2: Funding a HSA /Investment Options

Q: How are HSAs funded?

A: Most HSAs are funded using pre-tax payroll deductions. However, individuals can also contribute additional funds during the year as long as they recognize the IRS limit of \$2,700 for individuals or \$5,450 for family contributions, and those contributions may only be made for the period of the year the person was covered by a HDHP.

Q: Is the contribution an individual makes to a non-employer sponsored HSA a deductible expense to the individual?

A: For individuals with a non-employer sponsored HSA, the HSA deduction will likely appear on the 1040 in the adjusted gross income section of the tax return. These deductions are pre-tax for an employer or employee in an employer provided plan. State taxes vary. Please consult your tax advisor.

Q: Is there a minimum initial investment required to start a HSA?

A: A minimum of \$100 is required if direct deposit is not used.

Q: How are HSA funds invested?

A: Avera Health Plans has partnered with Wells Fargo to offer a variety of investment options however an employer group may select any fiduciary vendor. You may obtain more information on Wells Fargo by visiting www.wfhbs.com/averahealthplans.

Q: Can an individual change investment funds?

A: Account holders can access information 24 hours a day, seven days a week at www.wfhbs.com/averahealthplans to view account balances and information, change investment options, process transactions, download forms and a link to a list of covered expenses.

Q: What happens to any unused dollars at the end of the year?

A: Any unused dollars in the HSA account are rolled over tax-free from year to year.

Section 3: HSA Fees

Q: What fees apply to a Wells Fargo HSA?

A: With a Wells Fargo HSA, an individual participating in a group-sponsored HSA pays an administrative fee of \$4.25/month. There are no setup fees for a Wells Fargo HSA.

Q: Are there any transaction fees for a Wells Fargo HSA?

A: There are no transaction fees for a Wells Fargo HSA; the only fee is the monthly administrative fee.

Section 4: Account Maintenance

Q: If an individual changes jobs, can a HSA be moved to another account?

A: Yes, similar to a 401(k) arrangement, funds can be "rolled" into another HSA.

Q: What happens to the money in my HSA upon death?

A: If the named beneficiary in an individual's will is the spouse, the spouse continues to access the HSA funds tax-free for medical expenses and pay income taxes on any non-medical expense. If the beneficiary is anyone else, the beneficiary will be responsible for the income tax on the account, but will not pay any penalties.

Q: How do I pay for eligible expenses or get reimbursed?

A: Wells Fargo provides the HSA Visa debit card that allows you to pay for expenses, as long as you have the necessary funds in your account. If you choose not to use the card, you can submit receipts by mail or toll-free fax. Reimbursement checks or direct deposit notices will be mailed within two to four business days. Provider acceptance and billing methods may vary and the card can be used wherever Visa debit cards are accepted.

Q: Where can I go to find more information about a Wells Fargo HSA?

A: For complete information, enrollment forms, and online resources, go to www.wfhbs.com/averahealthplans.



Contact us at **605-322-4545** or toll free at **1-888-322-2115**

Visit www.wfhbs.com/averahealthplans