Have questions?
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HSAs

(Health Savings Accounts)

Everything you never knew you needed to know

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Peterson McGregor Insurance

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Take Advantage of Your HSA

Did You Know?

Every unused dollar contributed to your health savings account (HSA) is rolled over. That means if you have **$900** at the end of the year, you will have **$900 rolled over** to use the following year. There is **no limit** to the amount of unused funds that can be rolled over.

Different From an FSA

Flexible spending accounts (FSAs) employ a "use-it-or-lose-it" strategy, meaning unused dollars are **lost at the end of the plan year**. There are some exceptions to this, but, in most cases, FSA funds must be used or they will be lost.

Built for the Future

HSAs enable you to build an **incredible financial resource** for health care stability. The huge tax advantages and rollover policies of an HSA make it ideal for anyone looking to take control of their health care finances.

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HSA Limits for 2024

The following chart shows the health savings account (HSA) limits that will apply for 2024, along with the 2023 limits for comparison purposes. The IRS limits for HSA contributions increase for 2024. The minimum deductible limits and out-of-pocket maximum limits for high deductible health plans (HDHPs) also increase for 2024.

Type of Limit	Type of Limit	2023	2024	Change
HSA Contribution Limit	*Self-only*	$3,850	$4,150	**Up $300**
	Family	$7,750	$8,300	**Up $550**
HSA Catch-up Contributions (not subject to adjustment for inflation)	*Age 55 or older*	$1,000	$1,000	No change
HDHP Minimum Deductible	*Self-only*	$1,500	$1,600	**Up $100**
	Family	$3,000	$3,200	**Up $200**
HDHP Maximum Out-of-pocket	*Self-only*	$7,500	$8,050	**Up $550**
	Family	$15,000	$16,100	**Up $1,100**

LINKS AND RESOURCES

- IRS Revenue Procedure 2023-23—HSA limits for 2024
- IRS Revenue Procedure 2022-24—HSA limits for 2023

Know Your Benefits

HSA Quiz

Complete this quiz by circling the correct answers. Multiple choice questions may have more than one correct answer.

1. True/False: Health savings accounts (HSAs) are only good for the elderly who have many health problems.

2. Which of the following are qualified medical expenses?
   a. Prescription eyeglasses
   b. Surgery for a broken leg
   c. Over-the-counter cold medicine
   d. Dental exam
   e. Cholesterol medication

3. True/False: HSAs allow you to pay medical bills with tax-free money.

4. If you leave your employer, who owns and keeps the HSA?
   a. You
   b. Your employer
   c. The bank
   d. The government

5. True/False: There is a time limit for using your HSA funds, and you will lose the money in the account if it's not used by the end of the year.

6. Who can make contributions to your HSA?
   a. Your company
   b. The government
   c. You
   d. The bank
   e. a and c

7. True/False: You must have a high deductible health plan (HDHP) in order to contribute to an HSA.

8. Money can accrue in your account from:
   a. Salary deferral
   b. Interest earned on the account balance
   c. Employer contributions
   d. Rollover of previous years' unused amounts
   e. All of the above

Know Your Benefits

HSA Quiz – Answer Key

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HSAs: Health Savings Accounts

Health savings accounts (HSAs) are a growing trend in health care. An HSA is a tax-exempt savings account established for the purpose of paying for the qualified medical expenses of an individual and/or his or her spouse and tax dependents. HSAs are designed to provide eligible individuals with the following federal tax benefits:

- HSA contributions are tax-free.
- Interest and other earnings on HSA contributions accumulate tax-free.
- Amounts distributed from an HSA for qualified medical expenses are tax-free as well.

In addition to tax benefits, HSA plans have grown in popularity because they offer potential health care cost savings to both employers and employees. For example, individuals covered under an HSA are more likely to seek preventive care, choose generic drugs, not misuse the emergency room, and use online tools to research health care providers.

HSA Eligibility

HSAs are offered in combination with high deductible health plans (HDHPs). To be HSA-eligible, an individual must be covered under a qualified HDHP and not also covered by another health plan that is not an HDHP (with a few exceptions, including disability, dental care, vision care and long-term care insurance). HDHPs generally have lower monthly premiums and higher deductibles than traditional health plans.

HSAs can cover medical expenses until the HDHP deductible is reached. The idea of this design is that the HSA pays for routine, smaller health expenses, while the HDHP offers protection in the event of a catastrophic medical expense, such as an unexpected illness, injury or hospitalization.

Because HSA amounts are non-forfeitable, amounts contributed to an HSA can increase savings for future health care needs, even into retirement.

In general, money placed into an HSA can be withdrawn at any time. Any HSA withdrawal used for a purpose other than to pay for qualified medical expenses is taxable as income and subject to an additional 20% penalty. After an individual reaches age 65, the additional penalty tax does not apply to HSA withdrawals.

Additional HSA Basics

- HSA contributions are non-taxable, and can be made by the HSA owner, an employer, a family member or any other person for months during which the owner is HSA-eligible.
- Annual limits apply to HSA contributions. The amount of the annual limit is federally mandated, and depends on whether the HSA owner has individual or family HDHP coverage.
- HSA funds, including interest and earnings, accumulate tax-free from year to year. HSAs are not subject to the “use it or lose it” rule applicable to health flexible spending accounts (FSAs).
- HSAs are portable, meaning individuals keep their HSAs even if they change jobs, change medical coverage or make other life changes.
- Even if an HSA owner is no longer HSA-eligible (for example, because the owner is no longer covered under an HDHP), he or she can still use accumulated HSA funds to pay for qualified medical expenses on a tax-free basis.

- HSAs are an inheritable asset. If a surviving spouse is the beneficiary, the spouse becomes the owner of the account and can use it as if it were his or her own HSA. For other beneficiaries, the account will no longer be treated as an HSA, and will pass to a beneficiary or become part of the deceased individual's estate.
- HSAs can help individuals become better health care consumers by giving them more of a stake in controlling their health care costs. Since they are responsible for more out-of-pocket costs due to the higher deductible, many employees become more conscious of the health care dollars they are spending.
- HSAs are not for everyone. The decision of whether to choose HSA/HDHP coverage is different for each individual, and may depend on the predictability of health care costs. If an individual is generally healthy and/or has a reasonable idea of health care costs, then HSA/HDHP coverage may make more financial sense than traditional health plan coverage.

HSA Annual Limits

Single Coverage

- HDHP minimum deductible: $1,500
    - 2024 limit: $1,600
- HDHP out-of-pocket maximum: $7,500
    - 2024 limit: $8,050
- HSA maximum contribution: $3,850
    - 2024 limit: $4,150

Family Coverage

- HDHP minimum deductible: $3,000
    - 2024 limit: $3,200
- HDHP out-of-pocket maximum: $15,000
    - 2024 limit: $16,100
- HSA maximum contribution: $7,750
    - 2024 limit: $8,300

Catch-up Contributions

Individuals who are 55 years old and older are allowed to contribute an extra $1,000 per year to their HSA, to help them save for retirement.

For more information about HSAs, contact Peterson McGregor Insurance today.

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HSA Examples of Eligible Expenses

Your health savings account (HSA) may reimburse:

Qualified medical expenses incurred by the account beneficiary and his or her spouse and dependents; COBRA premiums;

Health insurance premiums while receiving unemployment benefits; Qualified long-term care premiums*; and

Any health insurance premiums paid, other than for a Medicare supplemental policy, by individuals age 65 or older; and

Certain personal protective equipment (PPE)—such as masks, hand sanitizer and sanitizing wipes—used for the primary purpose of preventing the spread of COVID-19.

Distributions made from an HSA to reimburse the account beneficiary for eligible expenses are excluded from gross income.

Qualified Medical Expenses

The Internal Revenue Service (IRS) defines qualified medical care expenses as amounts paid for the diagnosis, cure or treatment of a disease, and for treatments affecting any part or function of the body. The expenses must be primarily to alleviate a physical or mental defect or illness.

The products and services listed below are examples of medical expenses eligible for payment under your HSA, when such services are not covered by your high-deductible health plan. To be an expense for medical care, the expense has to be primarily for the prevention or alleviation of a physical or mental defect or illness.

This list is not all-inclusive; additional expenses may qualify, and the items listed below are subject to change in accordance with IRS regulations. For more information or clarification on individual list items, refer to [Publication 502] or consult a tax professional.

- Abortion
- Acupuncture
- Alcoholism
- Ambulance
- Annual physical examination
- Artificial Limb
- Artificial Teeth
- Bandages
- Birth control pills
- Body scan
- Braille books and magazines
- Breast Pumps and suppplies
- Breast Reconstruction surgery
- Capital Expenses
- Car
- Chiropractor
- Christian Science Practitioner
- Contact lenses
- Crutches
- Dental treatment
- Diagnostic devices
- Disabled dependent care expenses
- Drug addiction
- Drugs
- Eye exam
- Eyeglasses
- Eye surgery
- Fertility enhancement
- Founder's fee
- Guide dog or other service animal
- Hwalth institute
- Health maintenance organiztion (HMO)
- Hearing Aids
- Home care
- Home improvements
- Hospital services
- Insurance premiums
- Laboratory fees
- Lactation expenses
- Lead based paint removal
- Learning disability
- Legal fees

Lifetime care-advance payments	Physical Examination	Therapy
Lodging	Pregnancy test kit	Transplants
Long term care	Premium tax credit	Transportation
Meals	Prescription drugs	Trips
Medical Conferences	Prosthesis	Tuition
Medical information plan	Psychiatric care	Vasectomy
Medicines	Psychoanalysis	Vision correction surgery
Nursing home	Psychologist	Wheelchair
Nursing services	Special education	wig
Operation	Sterilization	X ray
Optometrist	Stop smoking programs	
Organ doners	Surgery	
Osteopath	Telephone	
Oxygen	Television	
PPE used for the primary purpose of preventing the spread of COVID-19 such as Masks, hand sanitizer, sanitizing wipes	Special Home for intellectually and developmentally disabled	

Source: www.irs.gov

Plans that do not allow reimbursement of all eligible medical expenses as defined by the IRS and Department of Treasury must customize this article prior to use.

** For purposes of reimbursement of qualified long-term care premiums from an HSA, reimbursement in excess of the amount which may be deducted on an individual's personal tax return is not an eligible expense. IRS 213(d)(10) establishes the tax deduction allowed for qualified long-term care premiums on individual tax returns. If the HSA reimburses long-terms care premiums for an amount greater than set forth in IRC 213(d)(10), the amount greater than allowed is included in the account holder's taxable income and is subject to a 20 percent penalty.*

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Examples of Ineligible HSA Expenses

Your Health Savings Account lets you pay for medical care expenses not covered by your insurance plan with pre-tax dollars. The Internal Revenue Service (IRS) defines medical care expenses as amounts paid for the diagnosis, cure or treatment of a disease, and for treatments affecting any part or function of the body.

The items listed below are examples of products and services that are NOT eligible for reimbursement under your HSA, according to the IRS. Typically, expenses for items that promote general health are not eligible expenses. Please note that this list is not all-inclusive, and is subject to change.

- Baby sitting, childcare, and nursing services for a normal, healthy baby Controlled substances
- Cosmetic surgery
- Dancing lessons
- Diaper service
- Electrolysis or hair removal
- Flexible spending arrangements
- Funeral expenses
- Future medical care
- Hair transplant
- Health club dues
- Health savings accounts
- Household help
- Illegal operations and treatments
- Insurance premiums
- Maternity clothes
- Medical savings accounts
- Medicines and drugs from other countries
- Nonprescription drugs and medications (except for insulin) Nutritional supplements
- Personal use items
- Premium tax credit
- Swimming lessons
- Teeth whitening
- Veterinary fees
- Weight-loss program

Source: www.irs.gov

Example 1

Inputs

Current Balance*:

$0.00

Annual HSA Contribution:

$1,000.00

Annual Rate of Return*:

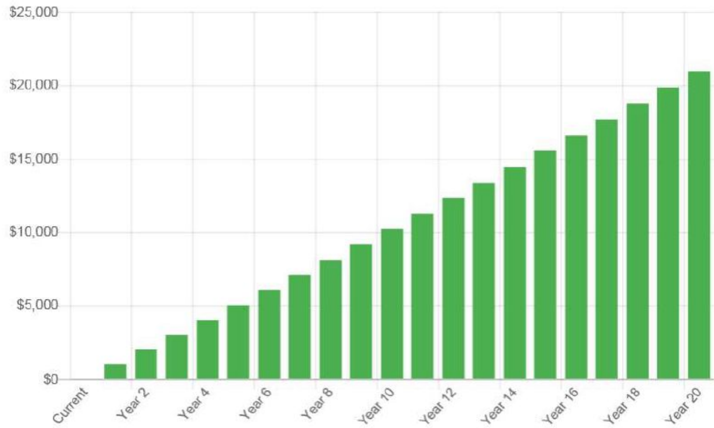
0.5%

Years*:

20

RECALCULATE

Your Projected Balance: $20,979.12 (After 20 years)



Example 2

Inputs

Current Balance*:

$0.00

Annual HSA Contribution:

$1,000.00

Annual Rate of Return*:

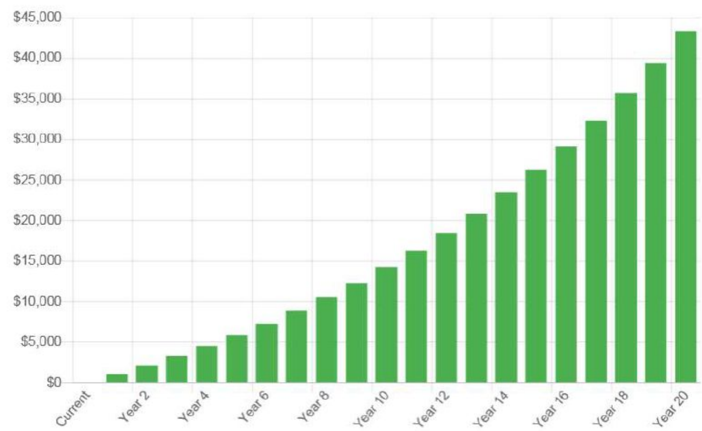
7.5%

Years*:

20

RECALCULATE

Your Projected Balance: $43,304.68 (After 20 years)



Example 3

Inputs

Current Balance*:

$0.00

Annual HSA Contribution:

$7,000.00

Annual Rate of Return*:

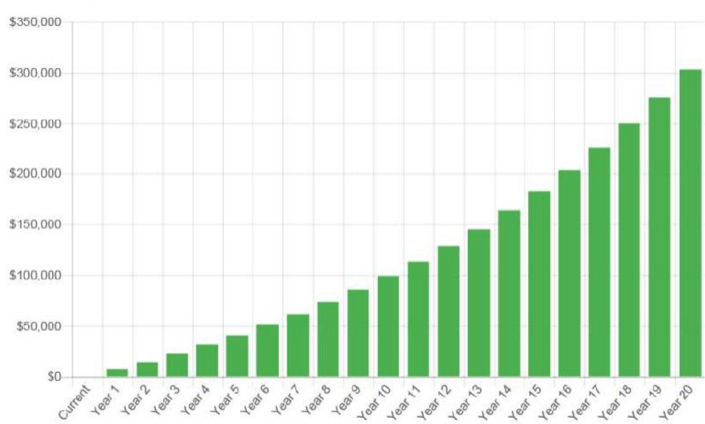
7.5%

Years*:

20

RECALCULATE

Your Projected Balance: $303,132.77 (After 20 years)



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The HSA Authority

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