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HEALTH SAVINGS ACCOUNTS (HSA) FAQS - 2025



Health Savings Accounts (HSA) can be an innovative approach to health care but can also be very confusing. Used wisely, an HSA can provide advantages to keep both your personal and financial life healthy.

A health savings account is a tax-advantaged personal savings account that works in combination with an HSA-qualified high deductible health plan (HDHP) to provide health coverage as an investment opportunity.

You can use your HSA funds to pay medical expenses that aren't paid by your health plan, or if you don't need it, it can become an interest-bearing nest egg that grows over time. There is no "use it or lose it" rule; the money remains in your account and can be used at any time in the future.

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HSA Eligibility

What is a High Deductible Health Plan (HDHP)?

You must be covered by a High Deductible Health Plan (HDHP) to open an HSA. HDHPs have lower premiums than comparable plans with lower deductibles, making them a desirable choice for people who do not anticipate having a lot of medical expenses or simply want to save on healthcare premiums.

It's important to keep in mind that with an HDHP, you pay more up front for medical expenses before the plan begins to pay. Most expenses, except for preventative care, will apply towards your deductible.

You and/or eligible dependents **MAY** be enrolled in an HDHP plan but may **NOT** be eligible to contribute to a Health Savings Account (HSA). This guide is to help better understand how an HSA account works.

Can I be covered under another health plan and still have an HSA?

- If you are covered by another health plan (such as through your spouse's employer), that health plan must be a qualified HDHP.
- You may be covered by the following plan types and still have an HSA: dental, vision, short and long-term disability, life and accidental death, long-term care, limited purpose flexible spending accounts, cancer plans, hospital indemnity plans, and health reimbursement accounts for post deductible expenses. Note: if your spouse has a flexible spending account that reimburses for all medical expenses, this is a disqualifying plan for HSA.
- If you are covered by Medicaid, Medicare, Tri-Care or a similar government insurance program, you cannot open or contribute to an HSA.

If my spouse or I am enrolled in a Full Health FSA (Flexible Spending Account), can I enroll in an HSA?

No. You are not eligible to enroll in an HSA until the end of the FSA plan year.

FSA with a Grace Period Option: If you still have a balance on or after the last day of the plan year, you are not eligible to contribute to an HSA until the first of the month following the Grace Period end date.

FSA with a Rollover Option: If you still have a balance on or after the last day of the plan year, you are not eligible to contribute if funds rolled into a new Health FSA plan year. You will need to waive the rollover prior to the plan year end or opt to have the funds rolled into a Limited Purpose FSA (consult your benefits team for availability).

I am a veteran; can I have an HSA?

If you have received any health benefits from the Veterans Administration or one of their facilities, including prescription drugs, in the last three months, you are not eligible for an HSA.

Can I have an HSA and a Dependent Care FSA?

Yes. The dependent care account is for daycare expenses and is not tied to any medical coverage.

Contributions

How are contributions made to my HSA account?

There are several types of contributions that can be made to an HSA:

- **Payroll deductions:** If your HSA is through your employer, you can request to have the money deducted directly from your paycheck. Normally these deductions are taken pre-tax, however you will want to verify what options your employer offers.
- **Employer contributions:** **Many** employers (46% in 2018) will opt to contribute to employee HSA accounts. These contributions are tax-free. You will want to consider these when choosing your payroll deduction amount, as all contributions count towards the annual HSA maximum limit, not just employee contributions.
- **Individual contributions:** If you don't have an employer-sponsored HSA, you can set up a recurring transfer from your checking or savings account to your HSA or make contributions on any schedule that works for you.
- **Third-party contributions:** **Anyone** can contribute to your HSA on your behalf. The contributions are deductible on your tax return even though you weren't the one who made them.

Does my contribution depend on when I establish my HSA or when my HDHP coverage is effective?

Your eligibility to contribute to an HSA is determined by the effective date of your HDHP coverage. The annual contribution is determined by the number of months covered by the HDHP.

If you are eligible on December 1, you can take one of two approaches to determine your maximum contribution limit from all sources (employee, employer, and other contributions).

Option 1: Pro-Rate: Use the table below to determine your maximum pro-rated contribution. If you don't exceed this amount, you will have no follow-up

compliance issues, though you will not maximize your tax savings and may not contribute enough to meet all your medical expenses.

Number of Eligible months 2025	Self-Only Under Age 55 2025	Self-Only Age 55+ 2025	Family Under Age 55 2025	Family Age 55+ 2025	Catch-up Only 2025
1	\$358	\$442	\$713	\$796	\$83.33
2	\$717	\$883	\$1,425	\$1,592	\$166.66
3	\$1,075	\$1,325	\$2,138	\$2,388	\$249.99
4	\$1,433	\$1,767	\$2,850	\$3,183	\$333.32
5	\$1,792	\$2,208	\$3,563	\$3,979	\$416.65
6	\$2,150	\$2,650	\$4,275	\$4,775	\$499.98
7	\$2,508	\$3,092	\$4,988	\$5,570	\$583.31
8	\$2,867	\$3,533	\$5,700	\$6,367	\$666.64
9	\$3,225	\$3,975	\$6,413	\$7,163	\$749.97
10	\$3,583	\$4,417	\$7,125	\$7,958	\$833.30
11	\$3,942	\$4,858	\$7,838	\$8,754	\$916.63
12	\$4,300	\$5,300	\$8,550	\$9,550	\$1000

Option 2: Full Contribution: You may take advantage of what is known as the “HSA last month” rule. This allows you to contribute the full-year contribution even if you were HSA eligible for less than a full-year. However, this does not come without stipulations. You are required to maintain HSA eligibility through December 31st of the following year; also known as the “testing period”. If you violate the testing period requirement, your ineligible contributions become taxable income. There is also a 10% penalty.

What is the tax treatment of HSA contributions?

All eligible contributions (up to the maximum contribution limit discussed above) are deductible from your gross income. If you elect pre-tax payroll deductions or if your employer contributes to your HSA, you are not allowed to deduct those contributions on your income tax return. However, your employer’s HSA contribution (if applicable) is not taxable or subject to income tax withholding or other employment taxes if it does not exceed your maximum contribution for the taxable year.

What is the deadline for making HSA contributions each year?

You may make HSA contributions no later than the deadline (without extensions), for filing your federal income tax return for that year. For calendar year taxpayers, this is April 15 of the following year. If you are making

contributions outside the current calendar year, consult with your HSA vendor to ensure the contribution is applied to the correct year. Contributions are always applied to the current year unless otherwise specified.

Can I make contributions through my employer on a pre-tax basis?

If your employer offers a “salary reduction” plan (also known as a “Section 125” plan or “Cafeteria Plan”), you can opt to have your HSA election deducted pre-tax (before income taxes and FICA taxes). If you do this, you cannot also deduct these expenses on your personal income taxes as an “above-the-line” deduction.

I’m over 55, can I make the full catch-up contribution to my HSA?

Yes, if you are 55 or older and covered by an HDHP, you can make additional catch-up contributions each year until you enroll for Medicare. The additional catch-up contribution is \$1,000.

If I turn 55 during the calendar year, can I make the full catch-up contribution to my HSA?

If you had HDHP coverage for the full year, you could make the full catch-up contribution. If you did not have HDHP coverage for the full year, you will be required to pro-rate your catch-up contribution for the number of months you had eligible HDHP coverage. However, if you are covered by HDHP coverage on December 1, you are treated as an eligible individual for the entire year and can make the full catch-up contribution.

If both spouses are 55 and older, can both spouses make catch-up contributions?

Yes, if both spouses are covered by an HDHP and have established an HSA in *their* name. If only one spouse holds the account in their name, only that spouse is eligible to make the catch-up contribution.

Can I make contributions to my account after I lose eligibility?

No. If you are no longer covered by an HDHP, or you become covered by Medicare, Medicaid, or any other governmental plan, you are no longer eligible to contribute or receive contributions to an HSA account. However, you can continue to use your HSA funds to pay for eligible medical expenses.

Can my spouse open an HSA and make contributions?

Yes, if your spouse meets eligibility requirements (covered on an HDHP). In that case, you and your spouse can split the statutory maximum annual contribution

between your HSAs as you wish. If you are 55 or older, you can both take advantage of the catch-up contribution as well.

If I have Family coverage on my HDHP, however I am the only one eligible for the HSA, how much am I allowed to contribute to my HSA?

You would be eligible to contribute to the family maximum. Your HSA contributions are based on your enrollment in the medical plan, not the HSA eligibility.

How are my contributions reported?

All contributions (employer and employee) are included on your W-2. IRS Form 5498-SA will be sent from your HSA custodian by January 31 each year. This form shows your total contributions during the prior tax year and is used to complete Form 8889. You are responsible for completing Form 8889 and submitting it with your personal income tax return.

I'm retired, can I still contribute to my HSA?

If you are covered by a qualified HDHP and not enrolled in Medicare, you can contribute.

Distributions

In general, your HSA can be used for “qualified medical expenses.” Examples of this include medical services, dental services, vision services and over-the-counter medicines if you have a prescription. Non-medicinal items such as bandages, blood pressure monitors, thermometers, etc. are eligible without a prescription.

Does an HSA pay for the same expenses as regular insurance pays for?

HSA funds can pay for any “qualified medical expense,” even if the expense is not covered by your HDHP. For example, most insurance does not provide coverage for the cost of over-the-counter medicines, but if you have a prescription from your doctor, you can use your HSA to pay for the medicine.

How do I know what is considered a “qualified medical expense”?

Unfortunately, there is not an all-inclusive list of qualified medical expenses because it is ever evolving. IRS Publication 502 is a great resource with a partial list and guidance on the topic. To be considered an expense for medical care, the expense must be primarily for the prevention or alleviation of a physical or mental defect or illness.

Who decides if I am spending my HSA money on eligible expenses?

You are responsible for your account. You must keep all receipts for disbursements to defend your expenditures in an audit. If you have a question, you can reach out to Michigan Planners for guidance.

What happens if I used the money for an expense that is not eligible?

If the money is used for an expense that is deemed ineligible, the expenditure will be taxed and is subject to a 20% tax penalty.

Can I pay for expenses for my family members?

Yes, if they are a qualified dependent.

My spouse is enrolled in Medicare and isn't HSA eligible. Can I pay for his/her expenses with my HSA account?

Yes. You can pay for expenses for any eligible dependent regardless of whether they are HSA-eligible or covered on your health plan.

My adult child is still covered on my HDHP medical coverage, but is no longer my tax dependent, can I pay for his/her expenses from my HSA?

No. Since your child is no longer considered your dependent, you can no longer pay for their medical expenses from your HSA plan.

Can I pay for health insurance premiums with my HSA?

You can only pay for insurance premiums with your HSA if you are collecting Federal or State unemployment benefits, or you have COBRA coverage through a former employer. You can also pay Medicare premiums with your HSA, but not Medicare supplement plans.

Can I pay for an expense from the previous year?

Yes. You can pay for any expense incurred after your HSA account was established.

Can I pay for long-term care insurance with money from my HSA?

Yes, if you have tax-qualified long-term care insurance. However, the amount considered a qualified medical expense depends on your age. Consult Publication 502 for the amounts deductible by age.

Can I pay for cosmetic procedures or products with my HSA?

No. These do not fall under the definition of "qualified medical care."

General Account Questions

What happens to the money in my HSA if I leave my job or retire?

HSAs are individually owned accounts, and you can take that money with you wherever you go.

Do HSA's rollover?

Yes. You do not lose your money if you do not spend it within the year. Funds automatically roll over each year.

What happens to my HSA after I turn 65 or go on Medicare?

Once you begin any part of Medicare coverage, you are no longer eligible to make or receive contributions to your HSA. However, you can continue to use your account (tax-free) to pay for your out-of-pocket medical expenses. You can use your account to pay Medicare premiums, deductibles, copays, and co-insurance. If you have retiree health benefits through your former employer, you can also use your account to pay for your share of those premiums. You cannot use your account to pay for Medigap premiums.

Can I contribute to an HSA and have Medicare Part A?

No. Once you enroll in Medicare Part A, you cannot actively contribute to your HSA. Any contributions received after your Part A coverage is effective will be considered excessive contributions.

If my spouse is enrolled in Medicare, do I lose my HSA eligibility?

No. Medicare is considered an individual contract and since you cannot be covered under your spouse's Medicare contract, it does not impact your HSA eligibility.

Can the funds in my HSA be invested?

Yes, you can invest the funds in your HSA. The same types of investments allowed for IRAs are allowed for HSAs. Most HSA providers offer investment options once you reach a certain balance threshold.

Will my bank notify me if/when I exceed my maximum allowable contribution limit?

No. It is your responsibility to monitor your contributions and distributions from your account.

Do I need to designate a beneficiary for my HSA?

Yes. Like a life insurance policy or 401(k) account, you will want to assign a beneficiary so the funds are not lost in limbo should something happen to you.

Are there any fees associated with my HSA?

Most administrators/banks have fees associated with the accounts that vary by plan. Please check with your administrator or bank for more information.



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We hope you found value in the information provided. If you have further questions or would like to talk to someone about your HSA, please reach out to our team!

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