Understanding Qualified High Deductible Health Plans (HDHP) and Health Savings Accounts (HSA)

What is a Qualified High Deductible Health Plan (HDHP)?

A high deductible health plan (HDHP) is a health insurance plan with lower premiums and higher deductibles than a traditional health plan. The IRS determines the requirements of a qualifying HDHP.

You are responsible for paying your eligible medical and prescription expenses up to the deductible(s) stated in the HDHP plan. Your deductible is the amount you must pay toward your health care and prescription **before** benefits are paid by the HDHP plan. All eligible in-network preventive services are covered at 100% and do not accumulate toward the deductible.

What is a Health Savings Account (HSA)?

A Health Savings Account (HSA) is a tax-advantaged medical savings account that can be established and combined with a qualified high deductible health plan to help pay for healthcare expenses today and down the road. Your HSA contributions accumulate in your account, earning interest, until you need them. The funds contributed to the account are **not** subject to federal income tax or even state taxes in most cases. They reduce your taxable income. And interest you earn on your HSA balance is tax free.

How an HSA Works

An HSA is opened like a typical bank account. Money that is deposited to your HSA can be used to pay for qualified healthcare expenses. You can deposit one lump sum for the year (up to the IRS contribution limit), or make smaller deposits throughout the year. You can also make a one-time, tax-free transfer from your IRA to your HSA. Contributions can be deducted on your federal tax form for the year in which the contributions are made.

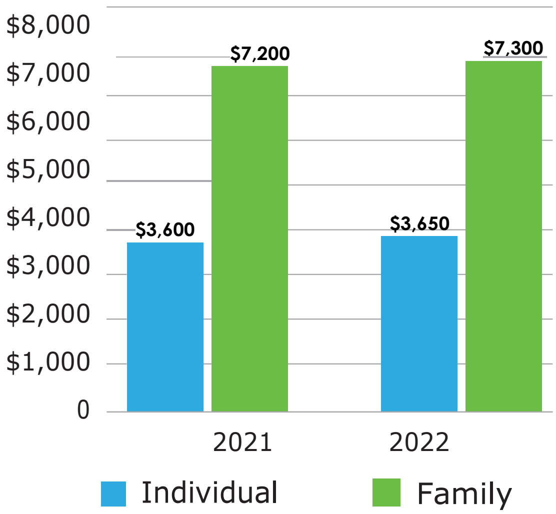
Funds in the HSA account can be **used to pay for your health plan deductible** and any "eligible medical expense," even if the expense is not covered by the medical plan.

Dental and vision expenses are also eligible to be reimbursed under an HSA account. See **IRS Publication 502 "Medical and Dental Expenses"** for a listing of eligible HSA expenses.

Your HSA is yours to keep – you own the account from the day you open it. There is no “use it or lose it”. Any balance in your HSA rolls over from year to year whether you change jobs, retire, or choose a different health care plan.

HSA Contributions

There are limits, set by law and adjusted annually, for how much you can contribute to an HSA in a calendar year. For 2021 and 2022, those annual limits are as follows:



If you are age 55 or older, you can make “catch up” contributions, meaning you can deposit an additional $1,000 every year into your HSA. If your spouse is also 55 or older and enrolled in an HDHP, he or she may establish a separate HSA and make a “catch up” contribution to that account.

HSA Eligibility Requirements

Per IRS guidelines, you are allowed to open and fund an HSA if:

- You are covered under an HSA-qualified high deductible health plan (HDHP).
- You or your spouse are NOT covered by a non-HSA plan (i.e. PPO).
- You are not enrolled in Medicare*, TRICARE or TRICARE for Life.
- You can't be claimed as a dependent on someone else’s tax return.
- You have not received Veterans Affairs (VA) benefits within the past 3 months.
- You or your spouse do not contribute to a Healthcare FSA.

*Enrollment in Medicare Part A may be retroactive by up to 6 months when you begin taking social security retirement after your Social Security Normal Retirement Age (SSNRA). This may affect your HSA eligibility.

Other restrictions and exceptions may also apply. For moreinformation, visit **www.irs.gov/publications/p969/**.

The official plan documents, summary plan descriptions, insurance contracts and company policies legally govern the administration of the plans. If there is any difference between the information presented here and the information in the official documents/contracts, decisions will be based on the official documents/contracts.

How to set up an HSA:

Contact your preferred bank or financial institution or HSA bank at: https://ioe.hsabank.com/home

Important Things to Know About Your HSA

- You will never lose any contributions you make to your HSA. You own this bank account.
- You are reimbursed for eligible expenses tax-free.
- If you do not use the HSA funds for an eligible health expense, your purchase will be subject to tax, plus a 20% penalty if you are younger than age 65.
- To avoid taxes on your contributions, you must file Form 8889 with your 1040 Form.
- The TAC HDHP's deductible is higher than the Standard PPO but the premiums are lower.
- The TAC HDHP and Standard PPO Out-of-Pocket Maximums are equal.

Deductible and Out-of-Pocket Maximum Comparison between TAC Standard PPO and HDHP