HEALTH SAVINGS ACCOUNT

Employees who participate in a qualified High Deductible Health Plan (HDHP), like BlueCare (HMO) 128/129, may be eligible to set aside money in a Health Savings Account (HSA). The money you contribute to an HSA is exempt from taxes; you save FICA and Federal taxes when contributing through payroll, and you spend the money tax-free when you spend it on qualified expenses.

Qualified expenses include unreimbursed medical, dental and vision expenses incurred by you and your eligible dependents - even if you don't cover your dependents. HSA funds can also be spent on some Medicare, Cobra and Long Term Care insurance premiums. An HSA is like a Flexible Spending Account (FSA); however, the HSA is a personal bank account, not a plan, so there's no "use-it or lose-it" rule. The money in your HSA remains in your HSA until you're ready to spend it; there's no time limit. If you change jobs or retire, you take the HSA with you.

The HSA is not an automatic feature of enrolling in the HDHP. You may establish your HSA at the Bank of your choice. Provide HR with your Account/Routing Numbers to contribute via payroll deduction.

Who is eligible to open and fund an HSA?

Anyone who is covered by a qualified HDHP, like BlueCare (HMO) 128/129, and not covered under another medical plan that is not an HDHP - including Medicare, Medicaid, Tricare, VA, Supplemental Medical Insurance and/or a general purpose Healthcare Flexible Spending Account (FSA).

How much can I contribute to an HSA?

The IRS sets a contribution limit every calendar year. For 2026, the contribution limits are:

- $4,400 for Individual Coverage – just you on the medical plan
- $8,750 for Family Coverage – you and any number of dependents
- If you're age 55 or older, you can contribute up to $1,000 more than the limits listed here.

What if I establish an HSA mid-year?

Your HSA contributions are generally determined on a monthly basis. If you establish an HSA mid-year, you're allowed to make the full year's contribution, provided you are eligible on December 1 of that year and you remain eligible to make HSA contributions throughout the next calendar year.

How do I make contributions to my HSA?

You can contribute to your HSA through payroll deductions or from a personal checking/savings account. When contributing to the HSA outside of payroll deductions, you can take an above-the- line deduction on your income taxes to obtain the Federal savings, but you will miss out on the FICA tax savings that are only available through payroll deduction.

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Where can I find a list of qualified expenses?

Refer to the list found at irs.gov; search *Publication 502.*

When can I start using the funds in my HSA?

You can use the funds in your HSA once they are available. If you incur expenses under the qualified HDHP prior to having enough funds in your HSA, you can reimburse yourself months or years later, once you do have the funds available - so long as you were enrolled in the qualified HDHP at the time of service and the HSA was established at the time of service.

Can I use my HSA to pay for non-qualified expenses?

Money withdrawn from an HSA for non-qualified expenses is taxable and subject to a 20% penalty. Although the 20% penalty goes away at age 65, the nonqualified expenses are always subject to income tax.

What happens to my HSA if I leave my employer?

The HSA is yours to keep. If you continue to meet the eligibility criteria for funding the account, you can continue making contributions to your HSA. If you are no longer eligible to fund the account, you're still eligible to spend the money (tax-free) on qualified expenses.

Can I use the money in my HSA to pay for my dependents' healthcare expenses?

You can use the money in your HSA to pay for their healthcare expenses belonging to your eligible spouse and/or dependent children - even if they are not covered as your dependents. Refer to Internal Revenue Code Section 152 to determine if your spouse and/or child is an eligible dependent.

Can couples establish a "joint" HSA and both make contributions, including "catch-up" contributions?

"Joint" HSAs are not permitted. Each spouse should consider establishing an HSA in his or her own name. This allows you to both make catch-up contributions when you are age 55 or older.

Can the funds in an HSA be invested?

Yes, you can invest the funds in your HSA. The same types of investments permitted for IRAs are allowed for HSAs, including stocks, bonds, mutual funds and certificates of deposit.

For more information on HSAs, visit:

- irs.gov – search *Publication* 969 for a detailed explanation of HSAs
- hsacenter.com – view videos, presentations, and frequently asked questions