

Lewisville Independent School District
Benefits Office



HEALTH SAVINGS ACCOUNT

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For additional information visit www.lisd.net/benefits

What is a Health Savings Account (HSA)?

A Health Savings Account (HSA) is a tax-advantaged account used in conjunction with a high deductible health plan.

You can use your HSA to be reimbursed for qualified medical, dental and vision expenses, including deductible, coinsurance amounts, and copays for you, your spouse, and your eligible dependents. Withdrawals are tax-free, provided they are used for qualified expenses. Unused funds carry over from year to year, and may be used for future qualified medical expenses.

HSAs represent a significant development in health care legislation, as they are the first product to combine health care plans with some of the most popular features of retirement savings vehicles (tax advantages, choice, portability), and they encourage consumers to take an integrated approach to saving for health care and future qualified medical, dental and vision expenses during retirement years.



Who is eligible to open an HSA?

You are eligible to establish an HSA if you satisfy the following requirements:

- You must be enrolled in a qualified high-deductible health plan at LISD - TRS-ActiveCare Plan 1 employee only and TRS-ActiveCare Plan 1 HD all tiers are the only qualified plans.
- Neither you or your spouse are participating in a health care flexible spending account (FSA), including an FSA through his/her employer. This is considered as participating in a non-high-deductible plan.
- You are not enrolled in or eligible for Medicare.
- You cannot be claimed as a dependent on another person's federal tax return.

It's your money

The funds in your HSA are yours and the account is **portable**. You can keep your HSA if you change your medical coverage, change your marital status, change jobs, or retire. You can choose to keep your account with BanCorp or transfer it to another custodian or institution after you leave LISD. Upon the death of an HSA holder, what happens to the HSA depends on whom you designate as the beneficiary. See IRS Publication 969 for complete details.

Unlike a flexible spending account, any balance remaining in your HSA carries over from year to year. Over time, you may be able to build a significant balance. It all depends on how much health care you use and when you choose to withdraw funds from your HSA to pay for qualified medical expenses.

Your responsibility

As the owner of this account, it is your responsibility to:

- ➡ Ensure you are eligible to establish an HSA.
- ➡ Determine your maximum annual contribution amount from all sources.
- ➡ Determine whether an expense is a qualified medical expense and therefore eligible for a tax-free withdrawal.
- ➡ Maintain adequate records and receipts to prove your withdrawals are for qualified medical expenses.

It is strongly recommended that you become familiar with your responsibilities before you decide to establish an HSA. Refer to IRS Publication 969 for complete details.



Contributions

- If you enroll in an eligible high-deductible health plan at LISD, you may elect to contribute pretax dollars to your HSA via payroll deduction. This amount must be elected during Open Enrollment or within 31 days of a qualified status change.
- You can also make after-tax contributions to your HSA. If you make an after-tax contribution, you may be able to take a deduction for the amount of your contribution when you file your federal income tax return.
- Current maximum contribution per calendar year:

Employee Only:	\$3,350 (\$4,350 if employee is age 55 or older)
Family:	\$6,650 (\$7,650 if employee is age 55 or older)

Using the money in your HSA

You can use the money in your HSA to pay for any current and future qualified medical expenses for you and your dependents on a tax free basis. Qualified medical expenses must be incurred after your account has been established and include deductibles, coinsurance, COBRA premiums, long-term care premiums (subject to certain limits), and Medicare premiums. For more details on what constitutes a qualified medical expense, refer to IRS Publications 969 and 502, or consult with a tax professional.

To take a withdrawal from your HSA, you can use the debit card or write a check to yourself or your provider as long as adequate funds are in the account (the money is not advanced).

The debit card and checks will be mailed to you along with a Welcome Packet from BanCorp. The Welcome Packet will explain everything you need to know regarding your HSA.

You decide how you spend your HSA funds

IRS rules govern how you maintain and use your HSA. The IRS does not restrict you from withdrawing funds for any reason, but because an HSA is intended to cover health care expenses, you pay income tax and a 20% penalty on funds withdrawn for reasons other than to pay for qualified medical expenses. The penalty does not apply to funds withdrawn after your death, disability or when you reach age 65.

As a reminder, it is your responsibility to maintain records and receipts to prove your distributions are for qualified medical expenses. As required by law, distributions from your HSA will be reported to you and to the IRS.

Investment options

- Your funds will automatically be deposited into an FDIC insured interest-earning account.
- Once your account balance is greater than \$2,500 you are able to invest in a broad range of mutual funds.
- There is no fee while employed by LISD if your funds are in the FDIC insured interest-earning account. Once you leave LISD, there is a \$2.50 per month fee for balances under \$2,500.
- There is a \$2.00 per month fee if your funds are invested in mutual funds. The first two trades of each month are at no charge, with three or more charged at \$20 each.

Before signing up for an HSA

- You must be enrolled in a High Deductible Health Plan at LISD.
- Your spouse or dependent must not be enrolled in a Flexible Spending Account (FSA) at their employer's.
- You must have a \$0 balance in your FSA (if you have one for the 2013-2014 plan year) as of August 31, 2014.



Comparisons between an HSA and an FSA

	Health Savings Account HSA	Flexible Spending Account FSA
Must be paired with an HSA-qualified High Deductible Health Plan (employee only ActiveCare Plan 1, all levels Plan 1HD)	Yes	No
The full election amount can be accessed right away	No	Yes
Money left in the account at the end of the plan year rolls over to the next plan year	Yes	No ¹
Money left in the account when an employee leaves the District goes with the employee	Yes	No
Money is deducted pre-tax	Yes	Yes
Contribution Limits	\$3350 - employee only \$6650 - family	\$2,550
Catch-up for employees 55 or older	\$1,000 per year	none
Money can only be used for medical, prescription, dental and vision expenses for employee & dependents	Yes ³	Yes
Debit Card can be used to pay for eligible expenses	Yes - up to amount in the account - money is not advanced	Yes - full amount elected is available on the first day of the plan year
Employee can reimburse themselves from account by check or account transfer if expense is incurred prior to account having sufficient funds to cover expense	Yes ⁴	n/a
Employees can fund account directly by check, wire, or transfer from bank account as well as payroll deductions	Yes	No
Employees eligible for Medicare can participate in the Plan	No	Yes
Employees covered by another insurance plan can participate in the Plan	No	Yes
Annual election deducted evenly throughout the plan year	Yes ⁵	Yes
Employer is responsible for verifying expenses are eligible	No - employee is responsible and must keep receipts in the event of an audit	Yes - but employee must keep receipts in the event of an audit
Money in the account can be invested and earn interest	Yes	No
Account Fee	None while employed by LISD \$2.50 per month after leaving LISD unless balance in account is greater than \$2,500	n/a
Money deposited into FDIC insured interest earning account	Yes	n/a
Able to invest in mutual funds?	Yes - if account balance is greater than \$2,500	n/a
Fees for Investing	Monthly mutual fund maintenance fee - \$2.00 First Two Trades of month - \$0.00 Subsequent Trades - \$20 each	n/a
Employee must file form 8889 with Federal Income Taxes	Yes	No

¹ Money left in an FSA is forfeited

³ Money withdrawn before age 65 for non-medical expenses is taxed as income and subject to a 20% tax penalty. Money withdrawn at or over age 65 is taxed as income.

⁴ First 50 checks provided at no cost

⁵ Annual Election divided by number of paychecks to determine per paycheck deduction. In no case can the monthly deduction for the HSA account exceed 1/12th of the annual limit based on coverage tier.