Health Savings Account (HSA)

KEY FEATURES FOR 2018

Creative Benefit Plans
INSURANCE MADE EASY

Health Savings Account (HSA)
Key Features for 2018

Overview	
Account Description	Tax-exempt trust or custodial account established by an eligible individual to pay for qualified medical expenses
Important Reminders for 2018	**New** annual limits on contributions apply
Potential Tax Benefits for Employees	• Employee contributions are either tax-deductible or pre-tax (if made by salary reduction) • Employer contributions are excluded from gross income and are generally not subject to employment taxes • Earnings on amounts in an HSA are not includable in gross income while held in the HSA • Tax-free distributions to pay for qualified medical expenses
Employee Eligibility	
Who May Participate **Note**: Guidance regarding the participation by same-sex spouses in HSAs is available	An individual is eligible to establish an HSA if he or she: • Is covered under a high deductible health plan (HDHP) • Is not covered by any other health plan that is not an HDHP (including coverage in a general purpose health FSA solely as a result of unused carryover amounts from the prior year), except for certain limited types of coverage • Is not enrolled in Medicare • May not be claimed as a dependent on another person's income tax return
HDHP (High Deductible Health Plan) Coverage Required **Note**: A health plan that provides certain preventive health services without a deductible, as required under Health Care Reform, may still qualify as an HDHP	Yes. For 2018, the minimum annual deductible is **\$1,350** for self-only coverage or **\$2,700** for family coverage (\$1,300 and \$2,600 for 2017, respectively). The maximum deductible and other out-of-pocket expenses is **\$6,650** for self-only coverage or **\$13,300** for family coverage (\$6,550 and \$13,100 for 2017, respectively).+ + Non-grandfathered HDHPs must also apply the self-only cost-sharing limit for coverage of essential health benefits provided in-network (**\$7,350** in 2018 and **\$7,150** in 2017) to **each individual** covered under the plan, even if this amount is below the family deductible limit.
Contributions	
Who May Contribute	The employee, the employer, or both may contribute (family members or any other person may also contribute)
Pre-Tax Employee Contribution Allowed	Yes, contributions can be made through employee salary reductions under a cafeteria plan
Limit on Contributions	Yes. For 2018, the maximum contribution is **\$3,450** for self-only coverage (\$3,400 for 2017) or **\$6,900** for family coverage (\$6,750 for 2017). The limit is increased by \$1,000 for eligible individuals age 55 or older at the end of the tax year.
Employer Participation	Employer contributions made through a cafeteria plan are subject to the Section 125 nondiscrimination requirements. All other employer contributions are subject to the "comparability rules," meaning that the employer must make comparable contributions to all comparable participating employees' HSAs.

Health Savings Account (HSA)

Key Features for 2018

Distributions	
Distributions Allowed	Distributions used exclusively to pay for qualified medical expenses of the employee and his or her spouse and dependents are tax-free. Any amount of the distribution not used exclusively to pay for qualified medical expenses is included in the employee's gross income and may be subject to an additional 20% tax. **Note:** Employees who cover dependents to age 26 under an HDHP may **not use HSA funds** for reimbursement on a tax-free basis for an adult child's medical expenses, **unless the adult child** qualifies as a tax dependent of the employee.
Timing of Distributions	An eligible employee may receive distributions from an HSA at any time for qualified medical expenses not reimbursed by the HDHP; however, expenses incurred before an HSA is established are not considered qualified medical expenses
Qualified Medical Expenses	Generally, qualified medical expenses are those expenses paid for "medical care" as defined in IRC Section 213(d). Health insurance premiums are generally not considered qualified medical expenses for HSA purposes, unless the premiums are for: • Qualified long-term care insurance (premiums are subject to limits based on age and are adjusted annually) • Health care continuation coverage required by federal law (e.g., COBRA) • Health care coverage while an individual is receiving unemployment • Medicare and other health care coverage if the employee is 65 or older (other than premiums for a Medicare supplemental policy, such as Medigap)
Other Issues	
Balance and Carryover	Amounts remaining in an HSA at the end of the year are generally carried over to the next year
Account Subject to COBRA	No
Portability	Yes, the employee is the owner of the account

For More Information

Please review IRS Publication 969 for a detailed explanation of HSAs, as well as IRS Publication 15-B for additional information regarding the tax treatment of these types of arrangements.

Health Savings Account (HSA)

Key Features for 2018

Provided by:

Creative Benefit Plans
28 West Railroad Avenue
Jamesburg, NJ 08831

Phone: 732-992-1500
www.cbplans.com