Frequently Asked Questions

Blue Cross Blue Shield Blue Care Network of Michigan

Health Savings Account

HSA basics

Q1: What is an HSA?

A: An HSA is a savings account used in conjunction with an HSA-compatible health plan that allows you to save money, pretax, to pay for qualified medical expenses.

Q2: How is HealthEquity, Inc. involved with my HSA?

A: HealthEquity works with Blue Cross Blue Shield of Michigan or Blue Care Network to administer your HSA. However, HealthEquity isn't involved in administering your health plan.

Q3: What are the benefits of an HSA?

A: An HSA allows you to set money aside to pay for current health care expenses or save for future retirement health care needs. It also:

- Allows you to decide when and how to spend your money
- Provides potential tax savings with payroll deductions, interest earned and use of funds for qualified medical expenses – all tax free

Q4: Who owns my HSA?

A: You own the HSA and the money in the account.

Q5: Is there a limit on the amount I can contribute to my HSA?

A: The Internal Revenue Service adjusts HSA contribution limits each year. Visit **healthequity.com/hsa-contribution-limits** to view current limits.*

Q6: Who is eligible to open and contribute to my HSA?

A: You can open and contribute to an HSA if you're enrolled in an HSA-compatible health plan and:

- Aren't covered by another health plan that isn't HSA compatible
- Aren't enrolled in Medicare or Tricare
- Don't have a government-sponsored health plan from another country
- Don't have access to funds in a full-medical flexible spending account or health reimbursement arrangement
- Can't be claimed as a dependent on someone else's tax return

Once your HSA is open, you, your employer or a third party can contribute to it, up to the maximum annual limit.

Q7: If my spouse has Medicare, can I contribute to an HSA?

A: Yes. As long as you aren't enrolled in Medicare and remain enrolled in an HSA-compatible health plan, you can contribute to an HSA.

Q8: Are HSA catch-up contributions allowed?

A: Yes. An annual HSA catch-up contribution of $1,000 is allowed for those ages 55 or older.

Q9: Can I still have an HSA if I'm unemployed?

A: Yes. An HSA is portable but how you use it depends on your coverage.

HSA basics (continued)

- If you have an HSA when you become unemployed, the account is portable. You own the account and the money in it.
- If you're unemployed and have an HSA-compatible health plan, you can open, contribute and use HSA funds for qualified medical expenses.
- If you're unemployed and don't have an HSA-compatible health plan, you're not eligible to open a new HSA or contribute to an existing HSA. However, you'll still be able to access your funds from an existing HSA.

Q10: In the event of death, what happens to my HSA funds?

A: It's important to designate a beneficiary to make sure your HSA funds are transferred according to your wishes, without tax consequences, upon your death. Designate or change your beneficiary through your member account, or by completing a *Beneficiary Designation Form*.

- If your beneficiary is your spouse, he or she becomes the owner of the HSA upon your death and may use the funds for qualified medical expenses and carry the account into retirement.
- If the beneficiary isn't your spouse, your HSA is closed on the date of your death. Your beneficiary will receive the fair-market value of the assets in your account, which will be treated as taxable income.
- If you choose not to designate a beneficiary, the assets in your account will be included on your final income tax return as part of your estate.

HSA-compatible health plan

Q1: What is an HSA-compatible health plan?

A: An HSA-compatible health plan is a high-deductible health plan that meets IRS deductible, out-of-pocket maximum and coverage requirements.

Q2: How does an HSA-compatible health plan work with an HSA?

A: An HSA-compatible health plan provides your health care coverage. An HSA works in conjunction with your health plan to provide additional financial stability by covering out-of-pocket health care costs, such as deductible and coinsurance, from a tax-advantaged savings account.

Q3: Does an HSA-compatible health plan have to be in my name for me to open an HSA?

A: No. The health plan doesn't have to be in your name. As long as you have coverage under the plan, you're eligible to open and contribute to an HSA, assuming you meet all eligibility requirements.

Q4: I have an HSA-compatible health plan that doesn't cover my children. Can I use the money in my HSA to pay for my children's medical expenses?

A: Yes. The money in your HSA can be used to pay for qualified medical expenses for any family member who qualifies as a dependent on your tax return. However, if the dependent isn't covered under your health plan, his or her expenses won't be applied toward your deductible or out-of-pocket maximum.

Managing HSA funds

Q1: What is a qualified medical expense?

A: A qualified medical expense is a health care expense that is approved by the IRS. Some examples of qualified medical expenses are deductibles, coinsurances and post-deductible copayments. Visit **healthequity.com/qme** for a list of qualified expenses.*

Q2: Am I limited to using money in my HSA for qualified medical expenses only?

A: No. However, penalties may apply for non-qualified withdrawals before age 65.

- If you're younger than 65, you'll be taxed and receive a 20 percent penalty.
- If you're 65 or older, you'll be taxed on the money you use, but won't have to pay a penalty.

Q3: What if I pay for qualified medical expenses out of pocket?

A: If you pay for qualified medical expenses out of pocket, you can reimburse yourself with funds from your HSA. See the *Tools and resources* section of this document for directions on how to request reimbursement through your member account.

Q4: Can I transfer my HSA funds from a previous employer?

A: Yes. You'll need to complete a transfer or roll over form (and any applicable paperwork with your previous administrator) to have funds moved to your HealthEquity HSA.

Q5: Who invests the money contributed into my HSA?

A: You decide whether or not to invest your HSA funds. Any balances over $2,000 can be invested in a variety of funds. These investments are similar to other online trade investments and aren't Federal Deposit Insurance Corporation insured.

Saving for retirement

Q1: Can I roll money from my Individual Retirement Account into my HSA?

A: Yes. You can make a one-time roll over from your IRA into your HSA, up to the maximum contribution limit for that year (other rules may apply).

Q2: What are the benefits of using an HSA in retirement compared to other retirement accounts?

A: While distributions from most common retirement accounts count as taxable income, you may use HSA funds for qualified medical expenses tax free. Since out-of-pocket medical expenses can be a major drain on retirement savings, it's a good idea to use your HSA for health care costs and save your IRA or 401(k) for other costs.

Saving for retirement (continued)

Q3: What happens to money in my HSA when I retire?

A: That depends:

- If you're under age 65, retired and still have an HSA-compatible health plan, you can continue to contribute to the HSA and use the funds for qualified medical expenses.
- If you're under age 65, retired and don't have an HSA-compatible health plan, you're no longer eligible to contribute to the HSA, but can continue to use the funds for qualified medical expenses
- If you're 65 or older, retired and on Medicare, you're no longer eligible to contribute to the HSA, but can continue to use the funds for qualified medical expenses.
- If you're 65 or older, you're not limited to using an HSA just for health care expenses. You may use it for other expenses, however you'll need to pay income taxes on those amounts but won't have any early withdrawal penalties.

Tools and resources

Q1: How can I access my account information?

A: Your member account is a useful tool to help keep track of your HSA. Register or log in to your member account from the BCBSM mobile app or at **bcbsm.com** to check your account balance, access forms, pay health care providers and much more.

Don't have our mobile app? Search BCBSM in the App Store® or Google Play™ to download it.

Q2: Is there a debit card?

A: Yes, up to three HSA debit cards are available free of charge for your convenience.

Q3: Who do I contact if I have questions about my HSA?

A: Call HealthEquity Member Services 24/7 at 1-877-284-9840 for questions about your HSA. If you have questions about your health coverage, call the Customer Service number on the back of your member ID card.

Blue Cross Blue Shield Blue Care Network of Michigan

*Blue Cross Blue Shield of Michigan doesn't own or control this website.

The information in this document is intended as an educational tool only, not as legal advice. Consult your legal advisor if you have questions about federal laws pertaining to HSAs.

HealthEquity, Inc. is an independent company that provides health care spending account administration services for Blue Cross Blue Shield of Michigan and Blue Care Network members. An independent, FDIC-insured bank holds the health saving account dollars.