

FREQUENTLY ASKED QUESTIONS

What is the maximum amount I can contribute to my HSA for 2009?

The maximum amount that may be contributed to an HSA for 2009 is \$3,000 for a single and \$5,950 for a family. USU may not accept contributions of more than these established IRS maximum limits. If an attempt is made to contribute excess funds to your account, the amount will be refunded to you.

If I presently have 2-party coverage, will that be offered within the HSA?

No. IRS rules allow us to offer single or family coverage only. You would need to sign up for family coverage.

Can I make a “catch-up” contribution to my HSA?

Yes. Individuals age 55 and older can make additional “catch-up” contributions. The maximum annual catch-up contribution is \$900 for 2009.

What forms will I receive regarding my 2008 contributions to my HSA?

HSA Bank will send you a Form 5498-SA showing the amount you contributed during the year. You must use the information in that form to prepare your own tax return, including Form 8889; you must file your Form 8889 with your Form 1040 if you (or your spouse, if you are filing a joint return) had any activity in your HSA during the year.

I withdrew money from my HSA and did not use it for qualified medical expenses.

What should I do?

You may redeposit money you previously withdrew and did not use for qualified medical expenses back into your HSA. When you send in your redeposit to BCBS, you must include written notice indicating these funds are to be considered a redeposit. This redeposit amount will not be calculated as a current year contribution.

Can I make a contribution in December 2009 to be applied to the 2009 tax year?

No. All contributions for a tax year must be made during that year.

Can an HSA account holder title his/her account in the name of a Trust?

No. The IRS only accepts an HSA as an individual account. Therefore, BCBS cannot title HSAs in a trust, nor can we title an account in the form of joint ownership. However, the account holder may change the designation of beneficiary as the name of the trust. The account holder must complete and sign a ‘*Beneficiary Designation Form*’ and return to BCBS. To obtain the ‘*Beneficiary Designation Form*,’ please call the Office of Human Resources at 797-0124.

Does an HSA pay for the same things that regular insurance pays for?

HSA funds can pay for any “qualified medical expense”, even if the expense is not covered by your High Deductible Choice Plan. For example, most health insurance does not cover the cost of over-the-counter medicines, but HSAs can. If the money from the HSA is used for qualified medical expenses, then the money spent is tax-free.

How do I know what is included as “qualified medical expenses”?

A partial list is provided in IRS Pub 502 (available at www.irs.gov). The Office of Human Resources can also provide this information. To be an expense for medical care, the expense has to be primarily for the prevention or alleviation of a physical or mental defect or illness.

Who decides whether the money I’m spending from my HSA is for a “qualified medical expense?”

You are responsible for that decision, and therefore should familiarize yourself with what qualified medical expenses are (as partially defined in IRS Publication 502) and also keep your receipts in case you need to defend your expenditures or decisions during an audit.

What happens if I don’t use the money in the HSA for medical expenses?

If the money is used for expenses other than qualified medical expenses, the expenditure will be taxed and, for individuals who are not disabled or over age 65, subject to a 10% tax penalty. If you do not use the money in your HSA at all during the year, that money stays in your account, rolls over to the next year, and continues to grow until you need it.

Are dental and vision care qualified medical expenses under a Health Savings Account?

Yes, as long as these are deductible under the current rules. For example, cosmetic procedures, like cosmetic dentistry, would not be considered qualified medical expenses.

Can I use the money in my HSA to pay for medical care for a family member?

Yes, you may withdraw funds to pay for the qualified medical expenses of yourself, your spouse or a dependent without tax penalty. This is one of the great advantages of HSAs.

Can I use my HSA to pay for medical services provided in other countries?

Yes.

Can I pay my health insurance premiums with an HSA?

You can only use your HSA to pay health insurance premiums if you are collecting Federal or State unemployment benefits, or you have COBRA continuation coverage through a former employer.

Can I purchase long-term care insurance with money from my HSA?

Yes, if you have tax-qualified long-term care insurance. However, the amount considered a qualified medical expense depends on your age. See IRS Publication 502 for the amounts deductible by age.

Do unused funds in a Health Savings Account roll over year after year?

Yes, the unused balance in a Health Savings Account automatically rolls over year after year. You won't lose your money if you don't spend it within the year.

What happens to the money in a Health Savings Account after I turn age 65?

You can continue to use your account tax-free for out-of-pocket health expenses. When you enroll in Medicare, you can use your account to pay Medicare premiums, deductibles, co-pays, and coinsurance under any part of Medicare. If you have retiree health benefits through your former employer, you can also use your account to pay for your share of retiree medical insurance premiums. The one expense you cannot use your account for is to purchase a Medicare supplemental insurance or "Medigap" policy.

Once you turn age 65, you can also use your account to pay for things other than medical expenses. If used for other expenses, the amount withdrawn will be taxable as income but will not be subject to any other penalties. Individuals under age 65 who use their accounts for non-medical expenses must pay income tax and a 10% penalty on the amount withdrawn.

If you are Medicare eligible, you can no longer contribute to your HSA but you may still use the funds from your HSA.

Can I use my HSA to pay for medical expenses incurred before I set up my account?

No. You cannot reimburse qualified medical expenses incurred before your account is established. We recommend you establish your account as soon as possible.

Who will be the "bookkeeper" for my HSA?

It is your responsibility to keep track of your deposits and expenditures and keep all of your receipts. If you run out of HSA funds (and therefore need to use your High Deductible Choice Plan), you may need to send those receipts to your insurer. You may receive Explanation of Benefits statements from Blue Cross Blue Shield if you lose your documentation.

How do I use my HSA to pay my physician when I'm at the physician's office?

If you have not met your deductible, you will be responsible for 100% of the amount agreed to be paid by your insurance policy to the physician. Your physician may ask you to pay for the services provided before you leave the office. If your HSA custodian has provided you with a checkbook or debit card, you can pay your physician directly from the account. If the custodian does not offer these features, you can pay the physician with your own money and reimburse yourself for the expense from the account after your visit.

If your physician does not ask for payment at the time of service, the physician will probably submit a claim to your insurance company, and the insurance company will apply any discounts based on their contract with the physician. You should then receive an "Explanation of Benefits" from your insurance plan stating how much the negotiated payment amount is, and that you are responsible for 100% of this negotiated amount. If

you have not already made any payment to the physician for the services provided, the physician may then send you a bill for payment.

What expenses qualify for HSA tax-free distribution?

Distributions from an HSA are excluded from income to the extent that they offset otherwise unreimbursed "qualified medical expenses" incurred after the establishment of the HSA. A "qualified medical expense" generally is an expenditure for medical care as defined in § 213(d) of the Internal Revenue Code (IRC). While "qualified medical expenses" typically do not include payments for health insurance premiums (including Medicare supplemental policies), the expense for coverage under any of the following shall constitute an HSA-qualified medical expense:

- continuation coverage under federal law (e.g., COBRA or USERRA coverage);
- a qualified long-term care insurance contract; or
- any health plan maintained while the individual is receiving unemployment compensation under federal or state law.

(Please reference Code § 223(d)(2)(B) & (C) and IRS Notice 2004-2, 2004-2 I.R.B. 269, Q/A - 2.)

Where can I go to get more information?

In all circumstances, when you need advice about personal tax information, we recommend that you consult your personal tax advisor. BCBS does not provide tax advice to its individual HSA account holders regarding their personal tax situation.

Certain resources available from the IRS can provide more information.

- IRS Publication 969, Health Savings Accounts and other Tax-Favored Health Plans, provides helpful information about most aspects of Health Savings Accounts from the taxpayer's perspective. It is available online at <http://www.irs.gov/pub/irs-pdf/p969.pdf>
- A United States Treasury website has lots of helpful information, including Q&A's, forms, and technical advice. Go to <http://www.ustreas.gov/offices/public-affairs/hsa/>