Health savings account (HSA)
How it works

What is an HSA?

An HSA is a health savings account. It's a tax-free way to save and budget for healthcare expenses.*

HSA contributions go in tax-free, earn interest tax-free and can be used tax-free for IRS-approved expenses.* Your employer or anyone else can put money in your account, too.

To put money in an HSA, you must be enrolled in a high-deductible health plan and you can't have coverage under any other non-qualifying health plan. According to the Internal Revenue Service (IRS), an HSA-compatible HDHP has certain features:

1. The minimum deductible and maximum out-of-pocket expense amounts are within a range the IRS sets.
2. All covered expenses, including prescriptions, have to apply to the same deductible and out-of-pocket maximum. Preventive services like yearly gynecological exams are an exception to this rule.

Why you may want an HSA

The HSA lets you control how you save, invest and use your healthcare dollars. Here are other advantages to consider:

- **It reduces your taxable income.** You don't pay taxes on the money you put in your HSA, so you keep more of your paycheck.* By using tax-free money — instead of your take-home pay, which you've paid taxes on — you're essentially getting a discount every time you use your HSA for eligible items.
- **The money always belongs to you.** Any money you put into the HSA, along with any contributions your employer makes, belongs to you even if you leave the company.
- **Your account earns interest tax-free.** Money you put into an HSA earns interest — a lot or a little, depending on the type of account your employer chooses, the investments you choose and your balance. All the interest earned is tax-free.*
- **You control the money.** You decide how to invest the funds, including any amounts your employer contributes.
- **You can save the money for future needs**. Even if you don't use a lot of healthcare services now, your HSA funds will be there if you need them in the future even after retirement. If you never need the money, it goes to your heirs.
- **It's easy to use the funds.** Humana gives you a Humana Access® Visa® Debit Card that lets you take money out of your HSA for medical expenses without the hassle of reimbursement forms.

How the HSA and your health plan work together

When you use your HSA for out-of-pocket costs specified in your plan — like doctor's office visits and prescriptions — these costs apply to your deductible. You also can use your HSA money for other eligible expenses like vision and dental, but those costs don't apply to your deductible.

So you can use your HSA to satisfy some or all of your deductible. After you meet the health plan deductible, your plan starts paying coinsurance — a percentage of your total healthcare costs.

When estimating your HSA-eligible expenses for the year, keep in mind the high-deductible health plan has a combined medical and pharmacy deductible. This means you'll pay 100 percent of your healthcare and prescription drug costs before you meet the deductible — but including your drug costs may help you meet the deductible faster than with other plans. Plus, any time during the plan year — whether you've met the deductible or not — you get a discounted price with in-network providers.

Humana oversees the administration of both your plan and the HSA, which is managed by our partner bank, UMB.

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*Some states do not recognize the health savings account as a pretax contribution. Check with your benefits administrator or tax professional for more details.

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Funding the account

To contribute to your account through paycheck deduction, decide how much you want to put in when you enroll. The amount is shown as an annual total. Divide the annual amount by the number of pay periods in that year to figure out what will be deducted from each paycheck.

The IRS establishes the maximum annual contribution. You can contribute the maximum annual contribution for your high-deductible health plan coverage level — single or family — no matter when you enroll. If you elect high-deductible health plan coverage in any month other than January, and you contribute the maximum amount, you must be covered by the high-deductible health plan and remain a qualified individual for the remainder of the current taxable year and the next tax year. If not, you'll be subject to taxes for the months not covered by an high-deductible health plan.

If you're 55 or older, you're eligible for catch–up contributions, which are based on the number of months during the calendar year you have an high-deductible health plan. If you have high-deductible health plan coverage for the full year, you can make the full catch–up contribution regardless of when your 55th birthday falls during the year. If you don't have high-deductible health plan coverage for the full year, you must prorate your catch–up contribution for the number of full months you were "eligible," i.e., had high-deductible health plan coverage. However, if you are covered on Dec. 1, you're treated as an eligible individual for that entire year and can make the full contribution, provided you also elect an high-deductible health plan for the next year.

Spending your HSA dollars

After your Humana coverage begins, you'll receive a HumanaAccess® Visa® Debit Card in the mail. You can use this card for HSA–eligible expenses at certain qualified locations that accept Visa cards. Save your receipts every time you spend HSA funds — the IRS may ask you to verify an expense. Contributions are available to use as they're deposited.

To check your HSA balance online, go to **Humana.com** and sign in to MyHumana, your personal, secure online account. Under the "Claims & Spending" section, select "Spending accounts." Then go to "Health Savings Account" and follow the appropriate links for the most up–to–date account information. If you haven't registered for MyHumana, just follow the instructions on **Humana.com**. Balances are updated daily. You also can call the toll–free number printed on your Humana Access card.

Eligibility rules

In addition to the high-deductible health plan requirement, the IRS has other rules about contributing to an HSA. You can't have an HSA if any of the following is true:

- You have other, non–high-deductible health plan coverage that pays for medical services, such as a spouse's plan. This includes medical plans and spending accounts other than HSAs.
- You are enrolled for Medicare benefits. Neither you nor your employer can put money in an HSA after you're enrolled in Medicare, but you can spend money you've contributed into the HSA from past years.
- You can be claimed as a dependent on another person's tax return. For tax purposes, spouses aren't considered dependents.

The first rule can be a bit tricky, so here are some examples:

- Your spouse has a spending account such as a flexible spending account (FSA), health reimbursement arrangement (HRA) or personal care account (PCA). If the account is only for a "limited purpose" like vision and dental, you're eligible for an HSA. If the account is "comprehensive," you're not eligible for an HSA, even if the account isn't used for you.
- Your spouse's medical plan isn't an IRS–approved high-deductible health plan. If the plan covers you, you're not eligible for an HSA. If the plan doesn't cover you, you're eligible for an HSA.
- Your spouse's medical plan is an IRS–approved high-deductible health plan. You're eligible for an HSA.

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How it works example — single coverage

Lucy enrolls in a high-deductible health plan. Her plan is effective Jan. 1 and has the following features:

- $1,500 single deductible
- 80 percent coinsurance for in-network providers

She also has a health savings account. Even though Lucy and her employer can put up to the maximum allowed in a health savings account, Lucy funds the account up to the $1,500 deductible:

- $500 from her employer
- $1,000 from Lucy's tax-free paycheck deductions

Year 1

Lucy's healthcare costs are higher than usual because she breaks her leg. Her expenses for the year total **$2,715**:

- Hospital doctor's services $650
- Hospital facility cost $350
- X-rays at hospital $200
- Specialist office visit $315
- Six physical therapy sessions $1,050
- Two prescriptions $150

Here's how Lucy uses her HSA to pay for healthcare

HSA funds	$1,500
Total cost of services	$2,715
Lucy uses HSA to pay deductible	$1,500
Balance of cost of services	$1,215
PPO plan pays 80% of costs	$972
Lucy pays remaining 20%	$243
HSA funds remaining	$0

Summary

When the accident happened, Lucy used the HSA dollars deposited so far to cover her deductible. She wrote a check for the rest and then got reimbursed from her HSA when more money went into the account. After Lucy used the HSA to meet her $1,500 deductible, her health plan kicked in to help her pay the remaining $1,215. The plan paid 80 percent coinsurance, and Lucy paid the other 20 percent out of pocket. Because she used all the money in her HSA, Lucy has a zero balance at the end of the year.

Year 2

Lucy's healthcare costs aren't as high as last year. She has an illness that requires two visits to the doctor's office and two prescriptions. Her expenses for the year total **$435**:

- Two doctor's office visits $200
- Two prescriptions $235

Here's how Lucy uses her HSA to pay for healthcare

HSA funds	$1,500
Total cost of services	$435
Lucy uses HSA to pay	$435
HSA funds remaining	$1,065

Summary

Because her healthcare expenses were only $435, Lucy didn't use all of her HSA funds. She also didn't have to use any of her take-home pay to cover out-of-pocket costs. At the end of the year, she has $1,065 left. She can use the money tax-free for healthcare expenses in the future and even invest it tax-free. She also can use these funds to reimburse herself $243 for the amount paid in Year 1.

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These examples are for illustration only. The amounts will vary depending on the plan selected and the number of people covered.

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How it works example — family coverage

Doug chooses a high-deductible health plan that covers himself, his wife Tina and their two children — 4-year-old John and newborn Julie. Their plan is effective Jan. 1, and has the following features:

- $2,500 family deductible
- 80 percent coinsurance for in-network providers

Even though Doug and his employer can put up to the maximum allowed in a health savings account, Doug funds the account up to the $2,500 deductible:

- For the first year, Doug's employer contributes $500, and Doug adds another $2,000 in tax-free paycheck deductions.
- For the second year, Doug's employer deposits another $500. Doug adds $2,000 to the account through tax-free paycheck deductions. He also has the $1,725 left over from Year 1.

Year 1

Both children get sick once during the year. Not surprisingly they spread the illness to their dad — but Tina manages to avoid it. Doug, John and Julie each visit the doctor once. Doug and John need a prescription to treat the illness, and John gets some lab tests. The family's expenses for the year total **$775**:

- Three doctor's office visits $300
- Lab tests.. $100
- Three prescriptions $375

Here's how Doug uses an HSA to pay for healthcare

HSA funds.. $2,500
Total cost of services $775
Doug uses HSA to pay $775
HSA funds remaining.. $1,725

Summary

Because the family's healthcare expenses were only $775, Doug didn't use all of his HSA. He spent his employer's $500 contribution, plus $225 of the money he put in tax-free. At the end of the year, he's spent none of his take-home pay on out-of-pocket costs, and he still has $1,725 left to use for future healthcare expenses.

Year 2

This year, John is injured — leading to X-rays, a three-day hospital stay, knee surgery and two prescription drugs. On top of that, both Tina and Julie get sick and have to go to the doctor. The family's expenses for the year total **$7,710**:

- Hospital care $3,000
- X-rays.. $250
- Surgeon and anesthesiologist.......................... $4,000
- Two doctor's office visits $200
- Two prescriptions.. $260

Here's how Doug uses an HSA to pay for healthcare

HSA funds.. $4,225
Total cost of services $7,710
Doug uses HSA to pay deductible.................................. $2,500
Balance of cost of services.. $5,210
PPO plan pays 80% of costs.. $4,168
Doug pays remaining 20% with HSA $1,042
HSA funds remaining.. $683

Summary

Doug used the $2,500 in his HSA to meet the plan's deductible, leaving $1,725 in his account. After meeting the deductible, the family's health benefits kicked in to pay 80 percent of the remaining healthcare costs. Doug paid the other 20 percent with his HSA. He didn't have to use any of his take-home pay to cover out-of-pocket costs, and he still has $683 left to use for future healthcare expenses.

These examples are for illustration only. The amounts will vary depending on the plan selected and the number of people covered.

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Health savings account (HSA)
How it works

Questions and answers

HSA eligibility

1. **Can I be covered by a high-deductible health plan and another health plan and still be eligible for an HSA?**
   As long as both health plans are high-deductible health plans, you're eligible to contribute to an HSA.
2. **What other types of health coverage can I have and still have an HSA?**
   You can contribute to an HSA if you have:
   - Insurance under which most of the coverage relates to Workers' Compensation laws, lawsuits, property ownership or use of property (such as automobile insurance)
   - Insurance for a specified disease or illness, like a cancer policy
   - Insurance paying a fixed amount per day (or other period) of hospitalization
   - Coverage (whether through insurance or otherwise) for accidents, disability, dental care, vision care or long-term care
   - Drug discount cards
   - Employee Assistance Program (EAP), disease management or wellness program
   - Eligibility for Veterans Affairs (VA) benefits unless you have received VA health benefits in the last three months

   You also can have coverage under an EAP, and you can have a healthcare discount card.
3. **Do I need to file any forms with my taxes at the end of the year?**
   Yes. You or your tax preparer will complete form 8889 when you file your taxes. The form reports all HSA contributions and distributions — information shown on your 1099-SA and W-2.
4. **What if I have a status change, like getting married or having a child?**
   Talk to your human resources representative. These events may affect your high-deductible health plan coverage and contribution limit.
5. **What happens if I change jobs?**
   - If your new employer offers a high-deductible health plan, you can leave your HSA funds where they are or roll them into a different account through another HSA provider
   - If you're no longer enrolled in an a high-deductible health plan, you can continue to spend any remaining funds to pay for qualified healthcare expenses, and you'll continue to earn interest on your balance, but you can't put new money in the HSA

HSA contributions

1. **How much can I contribute to an HSA?**
   The maximum amount you, your employer and anyone else can contribute to your HSA in any year is the amount established by the IRS. The IRS amounts for 2017 are $3,400 for individual coverage and $6,750 for family coverage.

   If you enroll online, Humana's Enrollment Center will guide you through calculating your maximum contribution. If you enroll with a paper application, you'll receive a worksheet to help you do the math.

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HSA contributions, continued

2. **When can I make "catch-up" contributions to an HSA?**
   If you are 55 or older, or turning 55 during the calendar year, you can make additional catch-up contributions to your HSA. The catch-up contribution is $1,000 for 2009 and beyond. If you have high-deductible health plan coverage for the full year, you can make the full catch-up contribution regardless of when your 55th birthday falls during the year. If you don't have high-deductible health plan coverage for the full year, you must prorate your catch-up contribution for the number of full months you were eligible, i.e., had high-deductible health plan coverage. However, if you're covered on Dec. 1, you're treated as an eligible individual for that entire year and can make the full contribution, provided you also elect an high-deductible health plan for the following year.
3. **Do I have to contribute to the HSA to receive my employer's contribution?**
   If your employer contributes a set amount for all employees with a high-deductible health plan, you get the contribution automatically when you enroll in the high-deductible health plan and HSA. If your employer matches employee contributions, you'll only receive an employer contribution if you contribute.
4. **Can I change my contribution amount during the plan year?**
   You can change your contribution amount or stop contributing at any time by contacting your employer.
5. **Can I make contributions in another way, such as with a check?**
   Yes. Checks and direct deposits are considered "cash contributions." If you want to contribute additional (already taxed) money to your account, you can download the deposit slip from "Spending accounts" under the "Claims & Spending" section of MyHumana. Select "Health Savings Account" and follow the appropriate links. You can mail it along with a check. Just ask your tax advisor to make sure your extra contribution doesn't put you over the IRS limit.
6. **What happens if I contribute more than the limit?**
   The IRS imposes a penalty on excess contributions, and you must take any excess funds out of your HSA. Also, you have to pay tax on the interest earned on those excess funds. Rollover contributions from another HSA or Archer medical savings account (MSA) don't count toward the limit. Contributions made during any year when you're not eligible to contribute are also considered excess contributions – so make sure you don't contribute to your HSA before the effective date of your high-deductible health plan.
7. **Can I also put money in a flexible spending account?**
   Yes, but it must be a "limited" FSA, meaning you can only use the FSA for eligible dental, vision and preventive care expenses. Check with your employer for specific limited FSA guidelines.

Spending HSA money

1. **How do I access my HSA funds?**
   Once your Humana coverage begins, you'll receive a Humana Access card in the mail. After you call the number on the card to activate it, you can just swipe the card or write down the card number to pay directly from your account.
2. **Does all the money I contribute need to be in my HSA before I can use it?**
   You don't have to wait until all the money is deposited, but you can withdraw only funds that have accrued in the account.

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Spending HSA money, continued

3. **How do I pay for doctor's bills using my HSA?**
   - Unless payment is required at time of service, wait for the doctor's bill showing Humana's discounted rate and what you owe.
   - Check the credit card payment box, write your card number and expiration date and mail the bill back to your doctor — or give your card number over the phone. If the doctor's office doesn't take Visa, pay the balance another way — such as a personal check — and then get reimbursed from your HSA. You have two options for requesting reimbursement:
     1. Request a check from the automated Customer Care line at **1-800-604-6228**. The voice-activated instructions walk you through the process.
     2. For online reimbursement, sign in to MyHumana and click the "Spending accounts" link under the "Coverage, Claims & Spending" section. Select the "Health Savings Account" link and follow the appropriate links.
        Choose one of the following:
        - Check reimbursement — to receive a paper check
        - Direct deposit — to receive a direct deposit into the bank account of your choice

   You should receive the reimbursement check in 7 – 10 calendar days and the direct deposit in three to five calendar days.

4. **How do I use my Humana Access card at the pharmacy?**
   You can use the card for prescription drugs and certain over-the-counter drugs.
   - Present your card for payment or swipe it through the credit card machine.
   - Select credit as the transaction type and sign the receipt.
   - Save the receipt for your records. You're responsible for verifying that claims were eligible expenses, if the IRS requests.

   If you buy items that aren't eligible for HSA payment, make sure to ring them up separately and use another form of payment.

5. **What if my health expense is more than the amount in my HSA?**
   Pay another way and then request reimbursement when you have more money in your account.

6. **What happens when my HSA funds are gone?**
   After you use up your HSA funds, you're responsible for medical expenses until you reach your deductible. Then you pay your coinsurance percentage. If you reach your maximum out of pocket, the plan pays 100 percent for covered services.

7. **What if I don't use all of the money in my HSA during the plan year?**
   The funds belong to you, so they stay in your account and continue to accrue interest. You never have to worry about losing the funds.

8. **What qualifies as an HSA expense?**
   - Diabetic supplies
   - Eye exams, eyeglasses, contact lenses and solution and laser surgery
   - Hearing aids
   - Orthodontia, dental cleanings and fillings
   - Physical therapy, speech therapy and chiropractic expenses

   Over-the-counter medications such as pain relievers, cough syrup and allergy medicines require a prescription to be eligible for reimbursement. The Humana Access card may be used to purchase over-the-counter medications. Be sure to save all receipts and prescriptions for your records. Failure to obtain and maintain records could result in a 20 percent tax penalty.

   For a sample list of IRS-approved expenses, go to MyHumana and click the "Spending accounts" link under the "Coverage, Claims & Spending" section. Select "Health Savings Account" and follow the appropriate links. You also can refer to IRS Publication 969 and Publication 502.

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Spending HSA money, continued

9. Who makes sure my expenses are qualified?
You're responsible for complying with HSA spending regulations. However, Humana helps you stay within the IRS rules by working with qualified providers to accept your Humana Access card. If you use the card at a location that does not offer qualified healthcare services, your card may be declined as a precaution. If you think the expense qualifies, pay another way and then submit a reimbursement request.

10. What if I use the HSA for ineligible expenses?
If you use HSA funds for an ineligible expense, you'll pay an IRS penalty, as well as tax on the ineligible amount and any interest earned on the amount. Check with your tax advisor for specific advice on handling this situation.

Investing HSA money*

1. How do I earn money on my HSA?
Think of your HSA as two accounts. First and foremost, it's an interest-bearing account that allows you to save pretax money for healthcare costs. All of your contributions go into this savings account. Once you build your account to a certain level, you'll be able to choose from several investment options. Investing your HSA money is completely optional. With either account type, you may have fees, as with any other bank account. To avoid overdrafts, make sure you have enough in your interest-bearing account to cover any fees.

2. What investment options do I have?
If you have the HSA Enhanced, you can have a self-directed investment account through UMB Financial Services, a UMB subsidiary. Employees with an HSA balance of $1,000 can choose from nationally recognized funds.

3. How do I set up investments?
A link on MyHumana takes you to a secure brokerage site where you can research your options and set up your investments.

4. What are the minimum balance requirements?
To invest in mutual funds, you need to have $1,000 in your account. Once you've invested in a mutual fund, you can increase your investment monthly or periodically, as long as your HSA maintains a balance of $1,000.

The minimum balance applies to investment account transactions only. Your savings account can, and probably will, drop below $1,000 as you pay for medical expenses. You can transfer money from the investment account back to the savings account, but it could take a few days, so it's smart to plan ahead for potential medical expenses.

*Investment options aren't available with all Humana HSAs. Check with your benefits administrator if you aren't sure which type of HSA you have.

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