



Health Savings Account How-to Guide

ARCHDIOCESE OF SEATTLE

How to get the most from your Health Savings Account (HSA)

WHAT'S A HEALTH SAVINGS ACCOUNT (HSA)?

An HSA is a personal savings account set up to pay for eligible healthcare expenses not covered by your medical plan.

Because of its tax advantages, an HSA is an attractive savings vehicle for current or future medical expenses (even during retirement).

KEY FEATURES OF AN HSA

- To open an HSA, **you must be enrolled in a Consumer Driven Health Plan and meet the HSA eligibility requirements** listed on page 2.
- **You may contribute** to the account through payroll deduction.
- Your employer **may contribute** to your account.
- **Contributions can roll over from year to year.** If you don't need the money now, you can save and grow your account for future healthcare expenses.
- **Your HSA can be invested** and possibly grow larger (or smaller) with investment returns. HealthEquity offers a variety of mutual fund investment options.
- **HSA contributions and any investment earnings are tax free, as long as they're used to pay for eligible healthcare expenses** (see page 6).
- Unlike FSAs, **you own the account** and can continue to use it if you switch plans, change employers or retire.
- **HSAs can be used as a retirement savings account.** If you are disabled or age 65 or older, you can use HSA funds for any reason without paying a penalty tax; although if not used for eligible healthcare expenses, it will be taxed as ordinary income.
- **You can also contribute to a Limited Purpose Healthcare FSA** to pay for dental and vision expenses on a tax-free basis.

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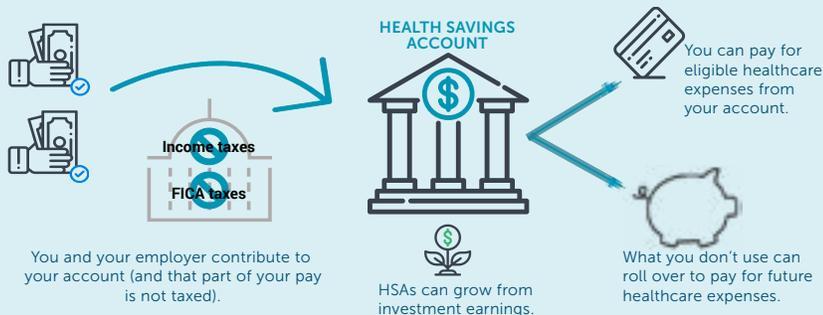
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HOW AN HSA WORKS



HSA ELIGIBILITY REQUIREMENTS

To open an Health Savings Account (HSA), you must meet all of the following criteria:

1. You are enrolled in a consumer driven health plan (CDHP):
 - Christian Brothers CDHP
 - Kaiser Foundation Health Plan of Washington CDHP
 - Kaiser Permanente Northwest CDHP
2. You are not claimed as a dependent on someone else's taxes.
3. You are not covered by another health plan, unless that other plan is also a CDHP (or HDHP). Health plans that would disqualify you from opening an account or making HSA contributions include:
 - Medicare (all parts, including Part A)
 - Medicaid
 - TRICARE, Indian Health Service or Veterans Administration (VA) health benefits received within the last three months, except for preventive care. If you are receiving treatment from the VA for a service-connected disability, this exclusion does not apply and you are not disqualified from making HSA contributions.
4. Your spouse (or parent, if under age 27) does not participate in a General Healthcare FSA or Health Reimbursement Account (HRA) through their employer. (Limited Purpose Healthcare FSAs are allowed.)
5. You are not contributing to the General Healthcare FSA (or won't be contributing when contributions to your HSA start).

If you enroll in a CDHP but are not eligible for an HSA, and you enroll in a General Healthcare FSA, your employer will contribute up to \$500 per year* (\$20.83 per paycheck) to your FSA.

* The maximum employer FSA contribution allowed.

HOW DO I OPEN MY HSA?

You may sign up for an account when you enroll in a CDHP in [Paycom](#):

- As a new employee
- During open enrollment, in May
- If you have a qualified family or job change that allows you to enroll in or change medical plans.

After selecting a CDHP, you will be directed to an HSA enrollment page where you can choose how much to contribute to your HSA through payroll deduction (see page 3 for details).

If you don't want to contribute to your HSA, you can enroll in the HSA and then elect to make a \$0 contribution.

You can stop, start or change how much you contribute to your HSA anytime in [Paycom](#).

Our HSA accounts are with HealthEquity, our HSA account administrator. Your payroll deductions and employer contributions are made only to [your account with HealthEquity](#).

HealthEquity – Account Administrator

We partner with HealthEquity to administer the HSA.

Visit the [HealthEquity website](#) to:

- Log in to manage your account
 - See contributions and account transactions
 - Submit reimbursement request
- Learn about investment options and select investments
- Use the calculators, tutorials, worksheets and tools in their media library to help you take full advantage of your HSA.

To access your account:

- Go to the [HealthEquity website login](#)
- Download [HealthEquity's mobile app](#)* called *EX Receipts (WageWorks)*.

In compliance with the regulations outlined in the US Patriot Act, to accept HSA funds HealthEquity requires verification of your identity through their Customer Identity Process (CIP). If you are contacted by HealthEquity, please furnish them with any requested documentation to facilitate the transfer of funds. If you don't act when contacted by HealthEquity, these funds will be returned to you.

If you have questions, please feel free to contact HealthEquity or the Benefits Team (email IPBS@Seattlearch.org or call 206-382-4566).

ARCHDIOCESE OF SEATTLE HSA CONTRIBUTIONS*

If you meet the HSA qualifications (on page 2) and you have enrolled in a CDHP and the HSA, your employer will contribute to your HSA.

- Employer contribution amounts are based on your medical plan coverage tier and the annual budget. Each year before open enrollment, employer contribution amounts for the upcoming July 1 to June 30 benefit year are announced.
- Employer contributions are made on a per pay period basis:

Medical Plan Coverage Tier	2023-2024 Employer HSA Contributions
Employee only	\$31.25 per pay period
Employee +1 or more dependents	\$67.50 per pay period
- If you are covered by the CDHP for the entire July 1 to June 30 benefit year, employer contributions will equal \$750 (employee only) and \$1,500 (employee plus 1 or more).
- If you enroll in a CDHP but are not eligible for an HSA, you may elect a General Healthcare FSA and \$750 your employer will contribute \$500 (\$500 is the maximum contribution allowed, no matter the coverage tier.)
- When enrolling or changing your HSA contribution, you can enter your total contribution (through the next June 30) and Paycom will calculate a per paycheck amount.

* Contributions from the Archdiocese of Seattle and the location that employs you.

EMPLOYEE HSA CONTRIBUTIONS

- **You make contributions to your HSA with pretax dollars through automatic payroll deduction.**
- **Benefit deductions (including your HSA and FSA contributions) are taken from 24 paychecks per year**, even though there are 26 pay periods per year. No benefit deductions are taken from two paychecks each year.
- **Each year during open enrollment, you will need to re-enroll in the HSA** so you can receive employer contributions to your account. If you don't want to contribute your own money to the HSA starting July 1, you can enter a \$0 contribution.
- **You can stop, restart or change your contribution amount anytime through [Paycom](#).** Any changes will be effective on the next paycheck.

HOW MUCH CAN YOU CONTRIBUTE?

From	To
\$0	IRS-set annual maximum HSA contribution
Reduced by	
The Archdiocese of Seattle contribution (\$750 employee only, \$1,500 employee + 1 or more dependents)	

Each calendar year, the IRS sets a combined employer and employee maximum contribution amount, based on your coverage medical plan coverage tier.

You can contribute up to \$1,000 more per year if you are age 55 or older on the last day of the year.

Here are the combined employee and employer annual maximum HSA contribution for this year and next year.

Medical Plan Coverage Tier	Annual Maximum HSA Contribution	
	2023	2024
Employee only	\$3,850	\$4,150
Employee +1 or more dependents	\$7,750	\$8,300

- You must be covered by a CDHP and eligible for the HSA for the entire year to contribute the full amount. Otherwise, you'll need to pro-rate your annual contribution by the number of months covered.
- There is a special rule for married individuals: If either spouse has CDHP family coverage, both spouses are treated as having family coverage. If both spouses are eligible to contribute to an HSA, they must determine how to split the \$7,750 limit between them.

If you want to contribute the maximum, see *Calculating Maximum Employee HSA Contributions* on the next page.

CALCULATING MAXIMUM EMPLOYEE HSA CONTRIBUTIONS

When calculating how much to contribute to your HSA, consider the following:

- **The IRS-set annual maximum HSA contribution is based on a calendar year while our employer contributions and payroll deductions are based on a July 1 to June 30 year.**
- The IRS often (but not always) increases the annual maximum HSA contribution amounts starting on the next Jan. 1.
- Any changes to our employer HSA contribution will be effective July 1.
- The annual maximum HSA contribution is pro-rated by the number of months you are covered by a CDHP and eligible for HSA contributions.

If you want to contribute the annual maximum, you, as the taxpayer, will need to monitor these changes and possibly change your contribution accordingly. You can start, stop or change HSA contributions anytime; changes are effective on your next paycheck.

MAXIMUM EMPLOYEE HSA CONTRIBUTION EXAMPLES

Example 1: Noah is age 30 and is enrolling himself and his spouse in a CDHP as a new employee with benefits starting Sept. 1. This is how Noah's maximum HSA contribution through the end of 2023 is calculated.

Prorate the annual maximum HSA contribution for 2023 The annual maximum <i>divided by</i> 12 <i>times</i> number of months covered ($\$7,750 / 12 \times 4$)	\$2,583.83
<i>Reduced by</i> employer contributions for the 8 remaining pay periods in 2023 ($\$67.50 \times 8$)	-\$540.00
Noah's maximum contribution through the end of 2023	\$2,043.83
Per paycheck contribution ($\$2,043.83 / 8$)	\$255.48

Example 2: Mary is age 60 and covers herself only under a CDHP. Here's how Mary's per paycheck HSA deduction for the July 1, 2023 to June 30, 2024 benefit year is calculated.

Annual maximum HSA contribution for 2023 ($\$3,850 + \$1,000$ age 55+ catchup)	\$4,850.00
<i>Reduced by</i> employer contributions for the 24 pay periods ($\$20.83 \times 24$)	-\$750.00
Mary's maximum contribution for July 1, 2023 to June 30, 2024*	\$4,100.00
Per paycheck contribution ($\$4,100 / 24$)*	\$170.83

The IRS increased the annual maximum HSA contribution for employee only coverage from \$3,850 (for 2023) to \$4,150 (for 2024) by \$300. Mary could increase her Jan. 1 to June 30 contribution by \$150 (or \$12.50 more per paycheck).



KEEP IN MIND!

Required HSA tax filings and other responsibilities of HSA ownership.

HSAs are different from Healthcare FSAs because you own your HSA. This means that many of the rules and requirements for FSAs (summarized on the next page) don't apply to HSAs. It also means that it is your responsibility to manage your account according to IRS rules.

- **It's your responsibility to make sure contributions to your account do not exceed the IRS-set annual limit.** Because you can stop, start or change HSA contributions anytime, our payroll system does not track or limit HSA contributions. It's up to you to track that you do not exceed the IRS-set annual maximum HSA contribution.
- When paying for expenses using HSA funds, **keep the receipts in case you get audited** by the IRS. (HSA contributions are reported to the IRS on your W-2.)
- When you file your federal tax return, **you'll have to fill out and attach IRS Form 8889 (Health Savings Accounts) to your 1040 tax form every year** that you or your employer contribute to your HSA or you spend funds from your account.
- **If you use your HSA for non-medical expenses** and you are under 65, you will be taxed on the amount you spent and assessed a 20% penalty. Once you are 65, you will be taxed on money used for non-medical expenses but won't owe a penalty tax.
- **Name beneficiaries.** Because you own this account, if you die before spending the money, the account will be paid to your beneficiaries. Make sure to designate (or update) beneficiaries [online](#) or by completing and returning the [Beneficiary Designation Form](#).

Try the online [HealthEquity HSA Calculator](#) to calculate your maximum HSA contribution.

COMPARING HSA AND HEALTHCARE FSA FEATURES

When you contribute to an HSA, you can also contribute to a Limited Purpose Healthcare FSA and use the tax-free FSA funds to pay for dental and vision care expenses. While the HSA and FSAs work much the same way, there are significant differences, as outlined below.

	Health Savings Account (HSA)	Limited Purpose Healthcare Flexible Spending Account (FSA)
How the plan works	<ul style="list-style-type: none"> The HSA allows you to put money in a tax-free account and spend that money on eligible healthcare (including dental and vision) expenses. You save money because you don't pay taxes on this money. 	<ul style="list-style-type: none"> The Limited Purpose Healthcare FSA allows you to put money in a tax-free account and spend that money on eligible dental and vision expenses. You save money because you don't pay taxes on this money.
Contributions	<ul style="list-style-type: none"> You can contribute from \$0 up to the IRS-set maximum (see the previous page for details). Your employer may also contribute to your HSA (see page 3 for details). 	<ul style="list-style-type: none"> You can contribute from a few dollars per paycheck up to the IRS-set maximum (\$3,050 in 2023). If you are enrolled in one of the CDHPs but not eligible for the HSA, and you enroll in a General Healthcare FSA, your employer will contribute up to \$500 (prorated by pay period); otherwise, there are no employer contributions to an FSA.
Contribution elections	<ul style="list-style-type: none"> You must enroll in the HSA during open enrollment, to receive Archdiocesan contributions but you are not required to contribute to get the contribution. (Make a \$0 contribution.) You can start, stop or change your contribution amount at any time—you don't have to wait until open enrollment. 	<ul style="list-style-type: none"> You elect your contribution amount during open enrollment, then contributions are deducted in equal amounts from each of your paychecks until the next June 30. You cannot change your contribution rate until the next open enrollment (except in certain qualifying situations).
Spending the funds	<ul style="list-style-type: none"> You can spend up to the current account balance (contributions to date less any money already spent). You can use your HSA to reimburse yourself for eligible expenses spent as far back as the date your HSA (with HealthEquity) was first established. 	<ul style="list-style-type: none"> You can spend your full annual contribution at any time during the benefit year—regardless of how much you have contributed year-to-date. You must spend most of the money in your account each benefit year (July 1 to June 30). See Rollovers below. After the benefit year ends, you have 90 days—until Sept. 30—to submit claims to HealthEquity for reimbursement.
Eligible-expense validation	<ul style="list-style-type: none"> You do not have to provide evidence you spent the money on eligible healthcare expenses to HealthEquity. However, HSA contributions are reported on your W-2, so be sure to keep receipts in case your HSA is audited by the IRS. 	<ul style="list-style-type: none"> HealthEquity must be able to validate your expenses for reimbursement. Be sure to keep receipts! You can use the HealthEquity mobile app to track your account and submit expenses for reimbursement.
Rollovers	<ul style="list-style-type: none"> Use the money now or let it accumulate over time—there is no deadline or “use it or lose it” rules. 	<ul style="list-style-type: none"> After the benefit year, up to \$610 will carry over to spend on next year's healthcare expenses, even if you don't re-enroll in the Healthcare FSA. (However, if you don't re-enroll, it will become a retail account with fees. You may want to contribute a small amount to avoid the fees.) Funds over \$610 will be forfeited.
Investments	<ul style="list-style-type: none"> Once your account reaches \$1,000, you may invest it and let it grow tax free over time to use for future medical expense. 	<ul style="list-style-type: none"> Not available
Portable	<ul style="list-style-type: none"> Unlike an FSA, you own your HSA—if you change plans, change employers or retire, you take your account with you and can continue using the money for pay for eligible healthcare. 	<ul style="list-style-type: none"> Not available. You have until the Sept. 30 after you leave to be reimbursed for expenses you incurred while employed by an Archdiocesan employer. Any money left in your account after Sept. 30 is forfeited.

HSA ELIGIBLE EXPENSES

To be tax free, HSA money must be used to pay for qualified healthcare expenses not covered by your medical, dental or vision plans. You cannot use HSA funds to pay for your share of the premiums.

COMMON HSA ELIGIBLE EXPENSES

As an employee, you can use your HSA to pay for out-of-pocket healthcare expenses, including:

- Medical deductibles, coinsurance and copays
- Prescription drug coinsurance and copays
- Dental care and orthodontia
- Vision (glasses, contact lenses, vision correction surgery)
- Hearing aids
- Medical equipment (such as crutches, wheelchairs)
- Over-the-counter medicine and first aid products

FOR A COMPLETE LIST OF ELIGIBLE EXPENSES VISIT:

- [IRS Publication 502 Medical and Dental Expenses](#)
- [HealthEquity HSA Eligible Expenses](#)
- [IRS Publication 969 Health Savings Accounts](#)

WHAT IF YOU USE HSA FUNDS ON INELIGIBLE EXPENSES?

If you use your HSA funds for ineligible expenses, you will owe ordinary income tax plus a 20% penalty tax on the amount spent.

If you are disabled or age 65 or older, you can withdraw funds for any reason without penalty; although if not used for eligible expenses, it will be taxed as ordinary income.

LIMITED PURPOSE HEALTHCARE FSA ELIGIBLE EXPENSES

If you enroll in a Limited Purpose Healthcare FSA, you can use those tax-free funds to pay for:

- Dental deductibles, coinsurance and copays
- Orthodontia*
- Vision copays, glasses, contacts, vision correction surgery
- Preventive care (not covered by your medical plan)

Expenses paid by your HSA are not eligible.

* Orthodontia expenses, unlike other Healthcare FSA expenses, are considered incurred when the services are received, are considered incurred when paid. Be sure to pay for orthodontic services in the benefit year (July 1 to June 30) in which you want them reimbursed.



KEEP IN MIND!

HSA funds can be used to pay for eligible healthcare expenses incurred by you, your spouse, and any dependents you claim on your income tax return.

PAYING FOR HEALTHCARE EXPENSES

While working for an Archdiocese of Seattle employer, there are two ways to access the money in your account(s) to pay for healthcare expenses.

DEBIT CARD

- When you enroll in the HSA, you will receive a HealthEquity debit card to use when paying for qualified expenses. If you have both the HSA and Limited Purpose Healthcare FSA, you'll receive a separate card for each account.
- Each time you swipe your HealthEquity debit card, the provider is paid on your behalf and the expense is deducted from your HSA or FSA balance.
- You can use your card at:
 - Doctor and provider offices
 - Dental and vision clinics
 - Hospitals
 - Mail order Rx programs
 - Participating retailers (such as pharmacies and groceries)
- This is an opt-in system; some (usually smaller) providers and retailers may not accept HSA/FSA payment cards.
- You cannot spend more than your accumulated HSA balance.

REIMBURSEMENT

You have the option of paying for medical expenses using a personal credit card or cash and then submitting an online request for reimbursement via the HealthEquity website or app.

To access your account:

- Go to the [HealthEquity website login](#)
- Download [HealthEquity's mobile app](#)* called *EX Receipts (WageWorks)*.

* Accounts must be activated via the HealthEquity website to use the mobile app.

INVESTING YOUR HSA

To help your account grow, once you have a \$1,000 balance, you can invest your HSA.

HealthEquity offers a variety of low-cost mutual funds, including index funds and target date funds, from which to choose.

If you want help investing your account, HealthEquity offers a web-based automated investment advisor. Based on your personal risk preferences, HealthEquity Advisor™ provides advice on which mutual funds to choose, how to diversify your money among those mutual funds, and will even implement the suggested portfolio for you, all while providing ongoing oversight and maintenance to your portfolio

[Log on to your account with HealthEquity](#) to learn more about your investment options or take advantages of the HealthEquity Advisor™.



[Try HealthEquity's Future Balance Calculator](#)

See how your HSA could grow under different scenarios when you change:

- Your contribution amount
- Investment returns
- How many years you will contribute to your HSA
- Your tax rate
- How much you spend from your HSA before you retire



KEEP IN MIND!

Medical expenses will make up a significant part of your budget during retirement.

In its latest (2022) projection, the Employee Benefit Research Institute (EBRI) estimates that to have a 90% chance of covering all their health insurance premiums and out-of-pocket costs, a 65-year-old couple will need \$296,000.

Watch this HealthEquity video to learn ways to save more in your HSA: [Save now, cash in later](#).

USING YOUR HSA AS A RETIREMENT SAVINGS VEHICLE

Your HSA can be like having an additional 403(b) Retirement Savings Account, because:

- Your account balance can roll over from year to year until you are ready to retire.
- An HSA lets you invest money to help your account grow further.
- When you turn 65, you can withdrawal the money from your HSA to spend on your regular living expenses, and like your retirement savings plan, withdrawals will be taxed as ordinary income.

PAYING FOR MEDICAL EXPENSES FROM YOUR HSA DURING RETIREMENT:

- HSAs can be even better than retirement savings plans because HSA funds will continue to be tax free if you spend the money on eligible medical expenses. Compare that to 403(b), or other retirement savings plan money, which is taxable when you take it from the plan, even if you use the money to pay for healthcare expenses.
- When you are 65 or older, you can use your HSA to pay for Medicare Parts A, B, C and D premiums (but not Medicare Supplement premiums).

RESOURCES FROM HEALTHEQUITY

HSA AND FSA ACCOUNT ADMINISTRATOR

Check out the [HealthEquity website](https://www.healthequity.com/learn/healthequity-website) at learn.healthequity.com/seattlearch/hsa

- Log in to manage your HSA (and Limited Purpose Healthcare FSA) accounts:
 - See contributions and account transactions
 - Submit reimbursement request
- Learn about investment options and select investments
- Use the calculators, tutorials, worksheets and tools in their media library to help you take full advantage of your HSA

To access your account:

- Go to the [HealthEquity website login](https://www.healthequity.com/learn/healthequity-website-login)
- Download [HealthEquity's mobile app*](#) called *EX Receipts (WageWorks)*.

HSA'S TRIPLE TAX SAVINGS

Contributions, investment earnings and amounts used to pay for qualified healthcare expenses are all exempt from federal income tax, FICA tax and most state taxes.

1

Pretax payroll deductions and employer contributions lower your current taxes.

2

Tax-free growth from interest or investment returns.

3

Tax-free withdrawals to pay for eligible healthcare expenses.

Because you never pay taxes on this part of your income, the HSA can save you from 15% to 30% (an amount equal to your income tax rate) on medical expenses.

Acronyms and Definitions

CDHP	Consumer Driven Health Plan A medical plan with a higher deductible and out-of-pocket maximum than a standard medical plan.
HDHP	High Deductible Health Plan The same as a CDHP.
HSA	Health Savings Account A tax-free account to help pay for out-of-pocket medical expenses for those enrolled in a CDHP.
FSA	Flexible Spending Account A tax-free account to help pay for out-of-pocket medical expenses. There are two types of Healthcare FSAs: <ul style="list-style-type: none">• General Healthcare FSA: Only for those not enrolled in an HSA and covers medical, dental and vision care expenses.• Limited Purpose Healthcare FSA: Only for those enrolled in an HSA and covers only dental and vision expenses.

ARCHDIOCESE OF SEATTLE INTEGRATED PAYROLL AND BENEFITS SERVICES

We're here to help you!

Hours Monday–Friday 8:00 a.m. – 5:00 p.m.

Call 206-382-4566 | Toll free 1-800-950-4904

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