



Health Savings Accounts

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Health Savings Accounts

- Code Section 223
- Available since January 1, 2004
- Contributions fully deductible (pre AGI)
- Withdrawals are tax-free if used to pay allowable medical expenditures

Who Can Have an HSA

Any adult if they:

- Have coverage under a “**high deductible health plan**” (HDHP)
- Have no other first-dollar medical coverage
- Do not participate in FSA or HRA that reimburses expenses before deductible amount of HSA is reached
- Limited-purpose FSA or HRA
can pay for “other health coverage”, except L-T care

High Deductible Health Plans 2012

- Does not cover first-dollar expenses
- Deductible must be at least:
 - \$1,200 – self-only coverage
 - \$2,400 – family coverage
- Annual out-of-pocket expenses cannot exceed:
 - \$ 6,050 – self-only coverage
 - \$12,100 – family coverage

High Deductible Health Plan Example - George

- Self-only coverage
- \$2,000 deductible (DED)
- \$6,050 out of pocket (OOP)

High Deductible Health Plan Example - George

Hospitalized for seven days:

$$\begin{aligned} & \$15,000 \text{ total cost} \\ & - \underline{2,000} \text{ deductible (HSA or OOP)} \\ & = 13,000 \\ & - \underline{1,950} \text{ 15\% co-pay (OOP)} \\ & = \$11,050 \text{ paid by HDHP} \end{aligned}$$

George has now paid \$3,950 of his annual \$6,050 maximum out-of-pocket expenses.



Who Can Have an HSA

Any adult if they:

- Are not enrolled in Medicare
- Cannot be claimed as dependent on someone else's tax return



Health Savings Account

No earned income requirement

No maximum income limitation

No required distribution at age 70½



HSA Contributions - 2012

Up to the amount of your HDHP deductible,
but not more than:

\$3,100 – self-only coverage

\$6,250 – family coverage

Age 55 or older “catch-up” -- \$1,000

Thus, maximum for a couple both 55 or
older is \$8,250.



HSA Contributions

Married – both have self-only HDHPs:
figure contribution separately

Married – either has family coverage:
both are treated as having family
coverage and contribution is
limited to the plan with the lower
deductible.



HSA Contributions

- Can be made up to April 15th of following year
- Partial year HDHP coverage requires proration of contributions (including catch-up)
- Account holder gets deduction for contributions to their HSA, even if someone else makes the contribution



HSA Reporting

- HSA trustee reports distributions on Form 1099SA
- HSA holder reports contributions and distributions on tax return – must file Form 8889

HSA Rollovers

IRA rules apply:

- “within 60 days after receipt”
- 1 year waiting period between rollovers

HSA Transfers

- Tax-free – divorce or separation
- Surviving spouse – decedent's HSA becomes the spouse's HSA
- Other heir – stops being a HSA and is taxable to beneficiary in year of death



HSA Observations

- Attractive for young and healthy
- Leaves older and less healthy people in traditional health insurance plans – suggesting higher premiums, all else being equal
- High deductible may discourage some people from seeking early diagnosis and treatment

HSA Resources

- Notice 2004-2

http://www.irs.gov/irb/2004-02_IRB/ar09.html

- Notice 2004-50, I.R.B. No. 2004-33

http://www.irs.gov/irb/2004-33_IRB/ar08.html

- Pub. 969

<http://www.irs.gov/pub/irs-pdf/p969.pdf>