

Introduction to HSAs

Contribution Eligibility

Eligibility is determined on the first day of each month. To be an eligible individual the following criteria must be met.

1. The individual **must be covered under a high deductible health plan (HDHP)** that meets certain requirements concerning the deductible and out-of-pocket expenses.
2. The individual **cannot be covered under an insurance plan that is not an HDHP** (with certain exceptions).
3. The individual **cannot be enrolled in Medicare**.
4. The individual **cannot be claimed as a dependent on someone else's tax return**.

Deductible & Out-of-Pocket Expense Cap Requirements

Coverage Type	Deductible	Out-of-Pocket Expense Cap
Self-Only Coverage	At least \$1,300 (2015 and 2016)	Not to exceed \$6,450 (2015) Not to exceed \$6,550 (2016)
Family Coverage	At least \$2,600 (2015 and 2016)	Not to exceed \$12,900 (2015) Not to exceed \$13,100 (2016)

Contribution Limits

HDHP Coverage Type	Maximum Annual Limit *	Maximum Catch-Up Limit *
Self-Only Coverage	\$3,350 (2015 and 2016)	\$1,000 (2015 and 2016)
Family Coverage	\$6,550 (2015) \$6,750 (2016)	\$1,000 (2015 and 2016)

*Based on 12 months of eligibility, or for the entire year based on the last-month rule.

Last-month rule. Under the last-month rule, if an HSA owner is eligible to contribute on the first day of the last month of his/her tax year (December 1 for most taxpayers), then he/she is considered eligible to contribute for the entire year, and are treated as having the same HDHP coverage for the entire year as he/she had on the first day of the last month.



HSA Qualified Distribution

Distributions from HSAs are considered qualified distributions if paid for medical care expenses

1. qualified medical expenses,
2. for the HSA owner, the HSA owner's spouse or the HSA owner's dependents,
3. that were incurred after an HSA is established, and
4. not covered by other insurance.

Qualified Medical Expenses - Defined under IRC Section 213(d). Essentially includes most medical care and services, dental and vision care, and over-the-counter medicines and drugs that are prescribed. For individuals over age 65, qualified expenses include health insurance premiums including Medicare premiums.

HSA Nonqualified Distribution

Distributions from HSAs are considered nonqualified distributions if they are not qualified distributions.

Nonqualified distributions are includible in the recipient's gross income and subject to an additional 20 percent penalty unless the HSA owner has attained age 65 or is disabled, or the distribution is being paid to a beneficiary other than a spouse.

