Health Savings Account
FAQs re: HSA Health plan

1. **What services are considered “preventive care”?**
   See the Open Enrollment website for a complete list of covered services.

2. **What drugs are considered “preventive” and are outside of the deductible?**
   See the Open Enrollment website for a list of covered drugs.

3. **What expenses can you pay for with your HSA account funds?**
   You can use your HSA funds to pay for the same types of services a FSA funds would pay for, such as deductibles, coinsurance amounts, dental expenses, or prescription drugs. In addition, you are able to pay for COBRA premiums (if you leave AUI/NRAO), long term care premiums, or Medicare expenses.

4. **What happens to my HSA account if I leave AUI/NRAO?**
   - Can I put money in the account? Money can be added to the account, but unless you are enrolled in another High Deductible Health Plan, it will be on an after-tax basis.
   - Can I spend money in the account? You can spend money in the account as long as you do not have employer-sponsored coverage other than a High Deductible Health Plan.
   - Who will pay the fees? As a former employee, you will be required to pay any administrative fees.

5. **Are you required to send receipts as claim substantiation?**
   No, however you are encouraged to retain your receipts in the event that you need them for tax purposes.

6. **Will my HSA account remain open if I have a $0 balance?**
   The account will remain open if you have a $0 balance. There is no fee assessed to you for having a $0 balance.

7. **Are there monthly fees charged if I choose to invest my HSA account funds into one of the available mutual funds?**
   No.

8. **How do I know how much my prescription drugs will cost on the HSA plan?**
   You can use [www.mycigna.com](http://www.mycigna.com) and click on “Estimate Health Care Costs” to look up the cost of your prescription drug and determine what tier the drug is on (i.e., generic, preferred brand, or non-preferred brand) so you will know what coinsurance level you will pay. You can also compare costs among pharmacies in your area.

9. **What if I decide to take advantage of the one-time IRA rollover provision? Are there fees involved or other restrictions?**
   For tax years beginning and after 12/31/06, a once per lifetime transfer from an IRA to an HSA (Trustee to Trustee transfer) is permitted. The amount of the IRA transfer to the HSA does apply toward meeting the annual allowable maximum. The individual must stay enrolled in an HSA qualified medical plan for 12 months following the date of the transfer.
If an individual makes an IRA to HSA transfer and then ceases to be an HSA eligible individual during the 12-month period (starting with the month of the rollover contribution and ending 12 months later) then the amount rolled over is included in the individual’s gross incomes and subject to a 10% excise tax.

Note that a rollover from a 457 fund, a 403(b) fund, or a 401k fund into an HSA is not allowed.

There are no fees assessed by HSA Bank to receive these funds, however, you should check with your IRA administrator to determine if they will charge any fees to send the money.

10. Can my HSA account balance roll over indefinitely?
   Yes, it can roll over indefinitely.

11. What if I have a qualifying event during the year that changes my single/family status? What AUI/NRAO contribution will I receive?
   In years when there is an employer contribution, it will be pro-rated depending on the type of event and change in medical coverage.

12. What if my spouse is enrolled in Medicare?
   You can enroll your spouse in the HSA plan, however, you cannot use any HSA funds for your spouse’s expenses.

13. Can I move my HSA account funds into another retirement vehicle (like an IRA) or to another account administrator?
   You cannot roll the funds into another retirement vehicle, but you can select another HSA banking administrator and roll your funds into that. However, AUI/NRAO would no longer pay the administrative fees on your behalf.

14. Are the investment funds fixed rate or market-based funds? Do I have to stay in the funds for a specific amount of time?
   Check your investments link on MyCigna.com for more information.

15. Is there an annual limit on the balance I can have in my account?
   No, there is only a limit on your annual contribution. This is set each year by the IRS.

16. Can I still participate in a medical flexible spending account (FSA) if I elect the HSA?
   No, the IRS regulations prohibit you from participating in both a general purpose FSA and an HSA.

17. Can I use my HSA funds to pay for Medicare or Medicare Supplement premiums?
   From IRS Pub 969

   **Insurance premiums.** You cannot treat insurance premiums as qualified medical expenses unless the premiums are for:
   1. Long-term care insurance.
   2. Health care continuation coverage (such as coverage under COBRA).
   3. Health care coverage while receiving unemployment compensation under federal or state law.
4. Medicare and other health care coverage if you were 65 or older (other than premiums for a Medicare supplemental policy, such as Medigap). The premiums for long-term care insurance (item (1)) that you can treat as qualified medical expenses are subject to limits based on age and are adjusted annually. See Limit on long-term care premiums you can deduct in the instructions for Schedule A (Form 1040).

Items (2) and (3) can be for your spouse or a dependent meeting the requirement for that type of coverage. For item (4), if you, the account beneficiary, are not 65 or older, Medicare premiums for coverage of your spouse or a dependent (who is 65 or older) generally are not qualified medical expenses.

18. If you leave NRAO and go to another employer who does not have an HDHP, can you still use the money to pay for expenses?
Yes, the funds can be used for expenses. You cannot make additional contributions to the account unless you are covered under another qualified High Deductible plan.

19. What happens to my HSA account if I die? Is the account liquidated and disbursed to my beneficiary? Is this amount taxed?
If the spouse is the designated beneficiary, the HSA will be treated as your spouse’s HSA. If the beneficiary is not your spouse, the account stops being an HSA and the fair market value of the HSA becomes taxable to the beneficiary in the year in which you die. If your estate is the beneficiary, the value is included on your final income tax return. The amount taxable to a beneficiary other than the estate is reduced by any qualified medical expenses for the decedent that are paid by the beneficiary within one year after date of death.

20. After age 65, can I pull money out of my HSA account without any penalty?
Yes, if used to pay for qualified medical expenses. You are also entitled to take out any amount from your account for any reason, penalty free (though you must pay income taxes on the withdrawals at that time). There are no requirements laid out in the law at the present time indicating when you must start taking distributions. However, we would expect the IRS to treat this like an IRA. If that is the case, then you must start taking distributions from your account at age 70 ½.

21. If I have a child covered under my plan that is covered under their own plan, can I contribute to the HSA and can they be covered on my insurance?
Yes, they can be covered under the high deductible plan, but the amount you can contribute may be impacted. Contact your local HR representative if you have questions.

22. If an employee is married, and the spouse has their own insurance, would the employee be able to use the HSA to pay for out of pocket expenses for their spouse?
Per IRS Pub 969, HSA funds can be used for the following:
Qualified medical expenses are those incurred by the following persons:
1. You and your spouse.
2. All dependents you claim on your tax return.
3. Any person you could have claimed as a dependent on your return except that:
   a. The person filed a joint return,
   b. The person had gross income of $3,700 or more, or
c. You, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2013 return.

23. If you turn 55 in mid year, would you be able to add the $1,000 catch up to the HSA?
   Yes, if you turn 55 by end of the year, you can contribute the catch up amount.