



## In-depth questions and answers about your health savings account (HSA)

### **Am I eligible to enroll in an HSA?**

You are eligible to enroll in an HSA if:

- ▶ You are covered under Consumer Directed HealthSelect<sup>SM</sup>, a high-deductible health plan (HDHP).
- ▶ You are not covered by any other non-HDHP, such as a spouse's plan. Exceptions include coverage like vision or dental.
- ▶ You are not enrolled in Medicare (Part A, B, C or D).
- ▶ You are not claimed as a dependent on someone else's tax return.
- ▶ You do not receive benefits under TRICARE or TRICARE for Life.
- ▶ You don't have a health care flexible spending account (health care FSA), such as a TexFlex health care FSA, in the same plan year. This includes coverage through a spouse's health care FSA.

Some other restrictions apply. Please review the current U.S. Internal Revenue Service (IRS) regulations, or consult a tax or financial advisor.

### **Can I use my HSA to reimburse myself for medical expenses incurred before my account was opened?**

No. You are allowed to reimburse yourself only for qualified medical expenses that are incurred after you open your HSA. It's important to open your HSA as soon as possible after enrolling in Consumer Directed HealthSelect. Only you can open your account. ERS, your benefits coordinator, Blue Cross and Blue Shield of Texas or Optum Financial<sup>®</sup> cannot open your account for you.

### **What is a qualified medical expense?**

The IRS decides which expenses can be paid and reimbursed from an HSA. You can find a list of common HSA-qualified expenses at [optumbank.com/individuals-families/qualified-medical-expenses.html](http://optumbank.com/individuals-families/qualified-medical-expenses.html).

### **What are examples of expenses that aren't qualified and shouldn't be reimbursed from an HSA?**

Examples of expenses that are not qualified include cosmetic surgery, health club memberships and teeth whitening. If you use an HSA to pay for an expense that is not qualified, you will have to pay taxes on the expense and may also have to pay a 20% penalty. For example, if the expense was \$100, you would pay an extra \$20 penalty, plus any applicable taxes.

### **Can I request checks for my HSA to pay for qualified medical expenses, instead of using the debit card?**

Yes. You may request HSA checks at no additional cost. You can order them by signing in to your online account. Optum Financial will send you a debit card after you open your account, but you don't have to use it.

### **How often can I contribute? Is there a limit on how much I can deposit?**

You can contribute as often as you like and in any amount, as long as the total annual contribution does not go over the limit set by the IRS. The IRS limits for tax year 2022 are \$3,650 for individual coverage and \$7,300 for family coverage. The IRS limits for tax year 2023 are \$3,850 for individual coverage and \$7,750 for family coverage. Those 55 and older are eligible for a catch-up contribution of up to \$1,000 each year. Please consult with a licensed tax advisor for any questions about your contribution maximum.

### **Do I have to pay federal taxes on the money I deposit into an HSA?**

When you deposit money into an HSA, you won't have to pay federal income tax on:

- ▶ Deposits you or others make into your HSA (up to the annual limit set by the IRS)
- ▶ Money you spend from your HSA on qualified expenses
- ▶ Interest or investment earnings on the HSA

### **Can other people contribute to my HSA?**

Yes. Anyone can contribute to your HSA. For example, a family member may choose to give you money that you can deposit into your account. However, all contributions will go toward the annual contribution limit set by the IRS. Contributions above the annual limit are subject to income taxes and a penalty. You, as the account holder, are responsible for making sure the entire amount of money deposited into your account in a given tax year does not exceed the contribution limit set by the IRS.

### **What happens to my HSA if I leave my current employer, change health plans or retire?**

Any money in your HSA is yours to keep. If you leave your agency or institution, change health plans or retire, you can keep your HSA and continue to use the funds for qualified expenses. However, if you're no longer participating in a qualified high-deductible health plan, such as Consumer Directed HealthSelect, you cannot make or receive contributions to your HSA.

### **How is my annual contribution limit affected if I change from Consumer Directed HealthSelect to another health plan during the plan year?**

If your coverage in Consumer Directed HealthSelect ends during the plan year, you will need to calculate a pro-rated HSA contribution amount based on the months you were enrolled in Consumer Directed HealthSelect. If your contributions go over that amount, you can ask Optum Financial to have excess contributions returned to you. **Optumbank.com** has a withdrawal/distribution request form for you to use. The same would apply if you are 55 or older and are making catch-up contributions. Those contributions would also need to be pro-rated and any excess contributions returned to you.

For example:

- ▶ The Consumer Directed HealthSelect plan year is September 1 to August 31 (12 months).
- ▶ You and your family are enrolled in Consumer Directed HealthSelect for six months (March through August).
- ▶ The IRS maximum contribution limit for family coverage for tax year 2022 is \$7,300.
- ▶ Your maximum contribution would be \$3,650, because you had only six months of coverage under an eligible high-deductible health plan:  $\$7,300 / 12 = \$608.33$  (maximum monthly contribution for family coverage);  $\$608.33 \times 6 = \$3,650.00$ .

### **If I enroll in Consumer Directed HealthSelect mid-year, am I able to make an entire year's contribution?**

Yes. If you enroll in Consumer Directed HealthSelect during the middle of the plan year, you are eligible to make the full annual contribution to your HSA. To do so, you must also continue to participate in a Consumer Directed HealthSelect plan for the rest of the year and the entire following year. During this time, you must continue to meet the IRS' requirements to contribute to an HSA. (See Question 1 for eligibility requirements.)

### **Can I use the HSA for my spouse or dependents if they are not covered under my plan?**

Yes. You can use the money in the HSA to pay for qualified expenses of your spouse and your dependents even if they are not covered by your plan; however, they must be considered legal dependents for tax purposes.

## **If I am still carrying health coverage for my 24-year-old, can I use my HSA to help pay for his qualified medical expenses?**

An adult child must still be a tax dependent for his or her medical expenses to qualify for payment or reimbursement from a parent's HSA. If the adult child is not a tax dependent, but is covered by a parent's HSA-eligible health plan, he or she may be able to open his or her own HSA. In these circumstances, it is best to consult with a licensed tax advisor.

## **If I decide to retire, what happens to my HSA?**

Once you retire, you can continue to make and receive contributions to your HSA, as long as you stay enrolled in Consumer Directed HealthSelect or another qualified HDHP. If you are enrolled in Consumer Directed HealthSelect, under age 65 and eligible for the state's contribution, the state will make a monthly contribution to your Optum Financial HSA. You will not be able to deduct HSA contributions from your monthly ERS annuity, but you can make after-tax contributions and claim them when you file taxes for the year.

If you decide to enroll in another type of health plan, you can continue to receive tax benefits when you use the HSA to pay for qualified expenses.

Please keep in mind that federal law does not allow anyone enrolled in Medicare to make or receive contributions to their HSA. Please see the answer below for more information.

## **What happens to my HSA when I turn 65?**

Most people enroll in Medicare when they turn 65. A person enrolled in any part of Medicare cannot make or receive contributions to their HSA. When you turn 65, ERS will automatically suspend the state's monthly contributions to your HSA. If you're still working and have a monthly paycheck deduction to your HSA, ERS will suspend that, too.

If you choose not to enroll in Medicare at age 65, you can remain enrolled in Consumer Directed HealthSelect, but must notify ERS that you are delaying Medicare enrollment so that your HSA deposits can resume.

If you choose to enroll in Medicare, you can change your health plan from Consumer Directed HealthSelect by notifying ERS within 31 days of becoming eligible for Medicare. Otherwise, you will stay in the Consumer Directed HealthSelect HDHP without the tax-advantaged savings opportunities of an HSA.

## **Can I make a distribution from my individual retirement account (IRA), 401(k) or 457 into my HSA?**

You can make a one-time distribution from your traditional IRA or Roth IRA to your HSA. You cannot make a distribution from your 401(k) or 457.

If you make a distribution from your IRA, you must direct your IRA trustee to make the distribution directly into your HSA. The amount cannot exceed how much you are eligible to contribute to an HSA for the tax year. It's important to note that the distribution from your IRA is not included in your income, cannot be counted as a deduction on your tax return and reduces the amount that can be contributed to your HSA from other sources.

## **Can I roll over amounts from my Archer medical savings account (MSA) and another HSA into my new Consumer Directed HealthSelect HSA?**

You can roll over amounts from Archer MSAs and other HSAs into your HSA. You must roll over the amount within 60 days after the date of receipt. You can make only one rollover contribution to an HSA during a one-year period. A rollover from an MSA or another HSA is not subject to the annual contribution limit. You can find a rollover/transfer request form at [optumbank.com](http://optumbank.com).

## **Can I transfer funds from another HSA custodian/administrator into my HSA with Optum Financial?**

You can direct another HSA custodian/administrator to transfer funds directly into your HSA with Optum Financial. Such a transfer is not considered a rollover, and there is no limit on the number of such transfers. You do not include the amount transferred in your income for tax purposes, deduct it as a contribution or include it as a distribution from the account. You can find a rollover/transfer request form at [optumbank.com](http://optumbank.com).

## **What if I already have an HSA with Optum Financial? Do I have to open another one, or will I be able to accept the state's contribution to my existing HSA?**

If you already have an existing account with Optum Financial, you do not need to open a new account. Optum Financial will take your existing account and tie it to the HSA offered through Consumer Directed HealthSelect. Your existing HSA must be tied to the HSA offered through Consumer Directed HealthSelect for you to receive the state's contribution.

## **What information or documentation do I need to keep when I use my HSA?**

Each account holder is responsible for keeping all records of deposits and withdrawals for expenses from his or her HSA for tax purposes. Save all receipts and records related to your HSA that provide proof that you have used the funds to pay for qualified medical expenses – including explanations of benefits (EOBs) and receipts from health care providers, pharmacies, drug stores, etc.

## **Why do I have to keep all my receipts?**

If you are audited by the IRS, you must be able to prove that you used your HSA money only to pay or reimburse yourself for qualified expenses. Otherwise, you might have to pay taxes and penalties on any distributions that you can't prove were used for qualified expenses.

## **What statements are available for my HSA?**

You have access to online monthly statements at [optumbank.com](https://optumbank.com) to track your account balance and activity. If you prefer to have statements mailed to your home, you can update your delivery preferences online. Sign in to your HSA and click on "Profile" in the upper-right-hand corner of the page. Below "Communication Preferences," you can update your HSA Paperless Settings to request mailed statements.

## **What HSA tax forms does Optum Financial issue?**

There are two tax forms that Optum Financial will issue for an HSA when appropriate:

- ▶ 1099-SA – The 1099-SA reports any distributions from the HSA. Optum Financial mails the 1099-SA to every account holder by January 31, and it's typically available online by the end of January. Please note that distributions are reported in the year they are taken. For example, a distribution taken in 2020 was reported on the 2020 1099-SA form, which was issued in January 2021.
- ▶ 5498-SA – The 5498-SA reports contributions and rollovers made to the HSA. It is for information purposes only. In February, Optum Financial will provide a 5498-SA that will report contributions during the previous calendar year. If an account holder makes an additional prior-year contribution between January 1 and April 15, an updated 5498-SA will be available in May.

## **What if my total HSA contribution for the year exceeds the IRS limits?**

Your excess contributions are subject to standard income tax rates plus a 6% penalty for every year that excess contributions remain in the account. You can complete and mail or fax a withdrawal/distribution form, available at [optumbank.com](https://optumbank.com), to request a refund of any excess contributions. If you request a refund, there is no penalty as long as the distribution is made before the tax-filing deadline, generally April 15. Earnings on the excess amount are taxable, but the 6% excise tax will not apply as long as the excess contributions and earnings are paid out before the tax-filing deadline.

## **What if I contributed the maximum annual amount but I was not covered by Consumer Directed HealthSelect for an entire year?**

You are eligible to contribute to your HSA only for the months that you were covered by a HDHP. You can figure out the monthly amount by pro-rating your maximum annual contribution (based on individual or family coverage) for the months you were covered by a HDHP. You can complete and mail or fax a withdrawal/distribution form, available at [optumbank.com](https://optumbank.com), to request a refund of any excess contributions.

## **What if I have more than one HSA?**

You may contribute to all of them, but the annual contributions to all accounts cannot exceed the annual maximum contribution limit set by the IRS. Your own contributions and contributions from the state, family members or any other source must be included in the total.

### **What if my spouse and I are covered by different health plans?**

Your contribution limits are generally determined by the type of HDHP you have – single or family. Consult a tax advisor regarding your personal situation. You can find out more by visiting [IRS.gov](https://www.irs.gov) and accessing IRS publication 969. Remember, as long as you are not covered by your spouse's non-HDHP plan, you can contribute to your HSA and you can use your HSA funds to pay for their out-of-pocket expenses.

### **Can I return funds to my HSA if I withdraw them by mistake?**

If you've used funds for non-qualified expenses, you can return the funds to your HSA. To avoid taxation and penalty, complete and mail or fax a Withdrawal Correction Form on or before April 15 following the year in which you mistakenly withdrew funds.

### **What happens to my HSA if I die?**

If you select a beneficiary for your HSA, the account will be inherited by that beneficiary. If you name your spouse as your beneficiary, your HSA will transfer to your spouse and can continue to be used on a tax-free basis to pay for qualified health care expenses. If you do not specify a beneficiary, your HSA will be distributed to your estate and the funds may be subject to taxation. If you name someone other than your spouse as your beneficiary, the funds will be considered taxable income to the recipient.

### **How do I designate a beneficiary for my HSA?**

Sign in to your HSA through [optumbank.com](https://optumbank.com), and then select "Manage Beneficiaries" from the "I want to ..." navigation on the homepage.



Health savings accounts (HSAs) are individual accounts offered through by Optum Bank®, Member FDIC, a subsidiary of Optum Financial, Inc., and are subject to eligibility requirements and restrictions on deposits and withdrawals to avoid IRS penalties. State taxes may apply. Fees may reduce earnings on account. This communication is not intended as investment, legal or tax advice. Federal and state laws and regulations are subject to change.

All Optum trademarks and logos are owned by Optum®. All other brand or product names are trademarks or registered marks of their respective owners. Because we are continually improving our products and services, Optum reserves the right to change specifications without prior notice. Optum is an equal opportunity employer.

The Employees Retirement System of Texas (ERS) complies with applicable federal civil rights laws and does not discriminate on the basis of race, color, national origin, age, disability or sex. ERS provides free language aids and services, such as: written information in other formats (large print, audio, accessible electronic formats, other formats) qualified interpreters and written information in other languages.

If you need these services, call: 1-877-275-4377, TDD: 711.

If you believe that ERS has failed to provide these services or discriminated in another way on the basis of race, color, national origin, age, disability or sex, you can file a grievance by mail, fax or email:

Mail: Section 1557 Coordinator, Employees Retirement System of Texas, P.O. Box 13207, Austin, TX 78711

Fax: 1-512-867-3480

Email: 1557coordinator@ers.state.tx.us

For more information, visit: ers.texas.gov.

You can also file a civil rights complaint with the U.S. Department of Health and Human Services online, by mail or by phone at:

Online: [ocrportal.hhs.gov/ocr/portal/lobby.jsf](http://ocrportal.hhs.gov/ocr/portal/lobby.jsf)

Complaint forms are available at: [hhs.gov/ocr/office/file/index.html](http://hhs.gov/ocr/office/file/index.html)

Mail: U.S. Department of Health and Human Services, 200 Independence Avenue, SW, Room 509F,

HHH Building, Washington, D.C. 20201

Phone: 1-800-368-1019, 1-800-537-7697 (TDD)

ERS provides language assistance at no cost to you. For help, please call the ERS main number.

L'ERS vous offre une aide linguistique gratuite. Pour obtenir de l'aide, veuillez composer le numéro principal de l'ERS.

ERS તમને કોઈપણ ખર્ચ ભાષા સહાય પૂરી પાડે છે. મદદ માટે, ERS મુખ્ય નંબર પર ફોન કરો.

ERSは無料で言語補助を提供しています。補助が必要な場合は、ERSの主番号にお電話ください。

ERS ໃຫ້ ການຊ່ວຍເຫຼືອ ອດ ການພາສາໂດຍ ທ່າ ທ່າ ການບໍ່ ເສຍຄ່າ. ຈຳ ລອງ ອວາມ ຊ່ວຍເຫຼືອ ອ, ກະລຸນາໂທຫາເບ ທ ອງການ ໃຫຍ່ ຂອງ ERS.

ERS proporciona asistencia de idioma sin costo para usted. Para obtener ayuda, llame al número principal de ERS.

يألمحتت أن نود لكل ذي علة لادعاسم ال ERS رفوت مقرلاب لاصتال اى جزي، دعاسم ال لوصحلل. فيالكث ل- ERS. ل يسيزل

ددم -ه اترك مهارف ددم يك نابز يم تفم وك پآ ERS لاک رپ رپمن لصا ل عک ERS ل عک

ERS 會為您免費提供語言協助。如需協助，請撥打 ERS 總機號碼。

Die Sprachassistenzenzdienste von ERS stehen Ihnen kostenlos zur Verfügung. Um Hilfe zu erhalten, wählen Sie bitte die ERS-Hauptnummer.

ERS आपको बनिा कसिी लागत के भाषा सहायता प्रदान करता है। मदद के लिए, कृपया ERS के मुख्य नंबर पर कॉल करें।

긴급응답 서비스(ERS)는 무료로 언어 지원을 제공해 드립니다. 도움을 원하시면 긴급응답 서비스(ERS) 대표 전화번호로 전화해 주십시오.

Пенсионный фонд ERS предоставляет услуги переводчиков бесплатно. Для получения услуг звоните по основному номеру ERS.

Nagbibigay ang ERS ng libheng tulong sa wika. Upang makatanggap ng tulong, pakitawagan ang pangunahing numero ng ERS.

ERS ان تراى تخا رد ناگى ار تروص هب ار ى نابز كمك ERS لى لصا هرامش اب، ىى امنهار تفای رد ىارب. دهد ىم رارق دى رى گب سامت.

ERS cung cấp hỗ trợ ngôn ngữ miễn phí cho quý vị. Để được trợ giúp, vui lòng gọi số chính của ERS.

**1-877-275-4377**