

Common questions about HSAs

There's a lot of information out there about health savings accounts (HSAs). To highlight what you need to know, here are some of the most common questions that people ask, especially during open enrollment time.



Q: What can I use my HSA for?

A: You can use the funds in your HSA to pay for qualified medical expenses like:



Doctor's office visits, lab fees and medical procedures



Dental care, including extractions and braces



Vision care, including contact lenses, prescription sunglasses and LASIK surgery



Prescription medications and over-the-counter treatments

Keep in mind that when you are age 65 or over, your HSA can be used as extra income. That means you have the option to withdraw your funds for anything, including nonqualified expenses, without incurring a withdrawal penalty. However, you'll still need to pay income tax on it.

If you're under 65, you'll be hit with a 20% penalty for using your HSA money on nonqualified expenses, plus you'll pay income tax.

Q: What are the benefits of an HSA?

A: HSAs are tax-advantaged accounts that help people save and pay for [qualified medical expenses](#). Your HSA lets you:

- Contribute money through payroll contributions before it's taxed
- Grow your funds income tax-free
- Make income tax-free withdrawals for qualified medical expenses
- Carry over available dollars from year to year
- Keep all funds in it even if you change jobs, switch health plans or retire
- Pay for qualified medical expenses for a spouse or tax dependent
- Consolidate any other HSAs you may have into one HSA for extra convenience



Remember: Your HSA contributions are either tax-deductible or pre-tax (if made by payroll deduction). You may contribute directly to your HSA from your personal account and deduct that from your federal tax return. Most states also recognize HSA contributions as a deduction but a few do not. Similarly, a few states tax interest earned on your HSA. See IRS Publication 969, or consult a tax advisor to see how your state treats HSA contributions.

Q: Who qualifies for an HSA?

A: To be eligible to open an HSA, you must have a qualifying high-deductible health plan (HDHP) that meets IRS guidelines for the annual deductible and out-of-pocket maximum.

You also cannot be:

- Covered by any other health plan that is not an HDHP
- Currently enrolled in Medicare or TRICARE
- Claimed as a dependent on another individual's tax return
- A recipient of Department of Veterans Affairs (VA) benefits within the past 3 months, except for preventive care. If you are a veteran with a disability rating from the VA, this exclusion does not apply.

Q: What is a qualifying HDHP?

A: For 2025, qualifying HDHPs are at least \$1,650 in deductibles for individual coverage and \$3,300 for family coverage, and out-of-pocket not exceeding \$8,300 for individual coverage and \$16,600 for family coverage.

Q: What happens to my HSA if I am no longer covered by an HDHP?

A: While you can no longer contribute to your HSA, your HSA funds are yours to keep and use for life.

Q: Are health insurance premiums considered qualified medical expenses?

A: No, but exceptions include qualified long-term-care insurance, COBRA health care continuation coverage and any health plan maintained while receiving unemployment compensation under federal or state law. For those 65 and older, you can typically use your HSA to pay for Medicare premiums for Medicare Parts A, B, C (Medicare HMO and PPO plans) and D. Premiums for Medigap policies are not qualified medical expenses.

Q: How much can I contribute to an HSA?

A: For 2025, the IRS set annual contribution limits of \$4,300 for individual coverage and \$8,550 for family coverage.

Primary account holders ages 55 or older can contribute an additional \$1,000 each year. Spouses may also contribute an additional \$1,000 if they are over age 55; however, they must contribute to an HSA set up in their own name.



Remember: Any contributions made by you, or by anyone else, count toward the annual contribution limit for specificity limit.

Q: How can I make contributions?

A: There are 2 easy ways to make a deposit:



1 Payroll deductions through your employer, if available



2 Online, using your personal bank account

Q: When can contributions be made?

A: Contributions for a taxable year can be made any time within that year and up until the tax filing deadline for the following year, which is typically **April 15**.

Q: Can I reimburse myself for expenses prior to my enrollment in an HSA?

A: No. Qualified medical expenses may be reimbursed only if the expenses are from after the date your HSA was established.

Q: Is there a time limit for reimbursing myself?

A: You can reimburse yourself at any time for expenses you paid for out of pocket. There is no time limit, but the expenses must have been incurred since you opened your HSA.

Q: How can I use my HSA to pay for qualified expenses?

A: You can use your HSA payment card, online bill pay, or pay out of pocket and then pay yourself back using HSA funds.

Q: Can I use my HSA to pay for non-health-related expenses?

A: Yes. However, any amount that is taken out of your HSA and not used exclusively to pay for qualified medical expenses for you, your spouse or your eligible tax dependents is subject to income taxes and an additional 20% IRS penalty, except in the case of distributions made after your death, disability or reaching age 65.

Q: What happens if my HSA contributions exceed the annual contribution limit?

A: If you contribute more than the IRS annual contribution limit, you have until the tax-filing deadline to withdraw excess contributions. If excess contributions are not withdrawn by the tax-filing deadline, an annually assessed excise tax of 6% will be imposed on any excess amount.

Q: Is tax reporting required for an HSA?

A: Yes. You must complete IRS form 8889 each year with your tax return to report total deposits and withdrawals from your account. You do not need to itemize. For more information about tax rules, including distribution information, consult a tax advisor.

Q: What happens to my HSA when I die?

A: If you are married and your spouse is listed as your beneficiary, they will become the owner of the account and assume it as their own. If you are unmarried, your account will cease to be an HSA. The money in your account will pass to your beneficiaries or become a part of your estate, and it will be subject to applicable taxes.

Q: Can I invest my HSA dollars?

A: Yes, you can choose to invest your HSA dollars once you reach your investment threshold.



Ready to enroll?

Enrolling in an HSA is quick and easy because it's built into your employer's benefit options. Review your materials today so you don't miss your chance to sign up.

Looking for more HSA resources?



Scan the QR code, or go to optum.com/HSAIntro to learn more.

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