Section I – General Information

1) Are all State employees eligible to enroll in the Anchor Choice Plan with HSA?

All state employees are eligible to enroll in Anchor Choice Plan with HSA. However, IRS rules apply to HSA contributions and withdrawals. See below for details.

2) What are the requirements for opening an HSA?

In order to contribute to an HSA, you must meet the following conditions:

- You must be covered by an HSA-qualifying high deductible health plan (HDHP);
- You must not be covered by any other health plan that is not a HDHP (this includes a general purpose health care flexible spending account);
- You must not be enrolled in Medicare, TRICARE or TRICARE for Life;
- You must not be claimed as a dependent on someone else’s tax return; and
- You must not have not received VA benefits within the past three months, except for preventive care (this exclusion does not apply if you are a veteran with a disability rating from the VA).

3) Will the State contribute any money to my HSA?

Yes. The State’s 2018 contribution to your HSA will be $1,500 if you have individual coverage or $3,000 if you have family coverage. These contributions are made biannually with half deposited on January 1, 2018 and the other half deposited on July 1, 2018. The State’s HSA contributions are not pro-rated for employees that enroll after those dates.

4) How does an HSA help me save?

- The State funds your HSA up to the deductible of your coverage
- Money put into the HSA is income tax-deductible
- Money withdrawn from HSA to pay for qualified medical expenses is withdrawn income tax-free
- Accounts earn interest and this growth is not taxable
- HSA funds not spent during the plan year carry over to subsequent plan years

5) Who administers the HSA account?

UnitedHealthcare’s banking partner, Optum Bank.
6) **Is there a limit on how much I can put into my HSA each year?**

The 2018 IRS limits are $3,450 for individual coverage and $6,900 for family coverage. This includes contributions from your employer and any contributions you choose to make. If you are 55 years of age or higher, but not yet enrolled in Medicare benefits, you can deposit an additional $1,000 per year as a “catch-up” contribution.

7) **Can I increase, decrease or stop my HSA payroll contribution anytime?**

Yes, you can change or stop your HSA contribution anytime during the year.

8) **Can I participate in the HSA Plan without opening an HSA?**

Yes, you can enroll in the HSA Plan without opening an HSA, but the State will only make its contribution(s) if you open an HSA with Optum Bank.

9) **Can I stay in the Anchor Plan or the Anchor Plus Plan and open an HSA account?**

No. Only employees who enroll in the Anchor Choice Plan are eligible to open an HSA account.

10) **If my spouse has their own health coverage, how would that impact our ability to make HSA contributions?**

It depends on the exact health coverage that you and your spouse have. See next page for exact details.
<table>
<thead>
<tr>
<th>HSA contributions for employee and their spouse</th>
<th>Spouse has no health plan coverage</th>
<th>Spouse has self-only non-HDHP coverage</th>
<th>Spouse has self-only HDHP coverage</th>
<th>Spouse has family non-HDHP coverage</th>
<th>Spouse has family HDHP coverage</th>
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<tbody>
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<td><strong>Married employee with self-only HDHP coverage</strong></td>
<td>Employee: may contribute up to individual annual limit. Spouse: no contributions.</td>
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<td>Both employee and spouse are eligible for contributions. Each may contribute up to individual annual limit to their respective HSAs. Spouse: no contributions.</td>
<td>Employee: no contributions if employee is covered under spouse’s coverage. If not covered, employee may contribute up to individual annual limit. Spouse: no contributions.</td>
<td>Both employee and spouse are eligible for HSA contributions and are treated as having only the family coverage. Total contribution (employee and spouse combined) may not exceed the family annual limit.</td>
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<td><strong>Married employee with family non-HDHP coverage</strong></td>
<td>Employee/Spouse: no contributions.</td>
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11) What can I use my HSA for?

You can use your HSA funds:

- To pay for qualified medical, dental, vision and prescription drug expenses, including over-the-counter drugs that have been prescribed by a doctor, as defined in IRS Publication 502, “Medical and Dental Expenses”.
- As supplemental income after age 65. Once you are 65, you can withdraw funds for any reason without paying a penalty, but they will be subject to ordinary income tax. If you are under age 65 and use your HSA funds for nonqualified expenses, you will need to pay taxes on the money you withdraw, as well as an additional 20 percent penalty.

12) What are HSA eligible expenses?

Optum HSA Qualified Medical Expenses lists examples that do or do not qualify. See IRS Publication 502, “Medical and Dental Expenses” for a complete list of eligible expenses. (See #14 for rules regarding ineligible expenses.)

13) Can my HSA be used to pay insurance premiums?

Insurance premiums are generally not considered qualified medical expenses and would be subject to taxes and penalty. However, the following types of insurance premiums typically do qualify:

- COBRA continuation coverage
- Qualified long-term care insurance contract
- Any health plan maintained while an individual is receiving unemployment compensation
- For account holders age 65 and over (i.e., those eligible for Medicare), premiums for any health insurance (including Medicare and Medicare Part D premiums) other than a Medicare supplemental policy

See IRS Publication 502, “Medical and Dental Expenses” for more detail.

14) What happens if I use my HSA to pay for ineligible expenses?

Any funds you withdraw for non-qualified expenses will be taxed at your income tax rate plus 20% tax penalty if you’re under 65. For example, if the expense was $100, the $100 would be considered taxable income and you would also pay an additional $20 tax penalty. The 20% tax penalty does not apply if the account holder is age 65 and older.

15) Can I use the HSA for my spouse or dependents if they’re not covered under my plan?

You can use the HSA to pay for qualified expenses of any family member if they are claimed as a spouse or dependent on your taxes. If a tax dependent is not covered under your plan, and you use your HSA to pay for their expenses, those expenses will not go toward your deductible.

16) What happens if I leave my current employer, change health plans or retire?
The money in your HSA is yours to keep. If you leave state service, change health plans, or retire, you take your HSA with you. If you switch to a health plan that makes you ineligible to continue contributing to your HSA, you may continue to use the money in your account for qualified medical expenses, but you can no longer make deposits. *It is your responsibility to stop contributing to your HSA.*

17) I want my HSA dollars to go as far as possible. How can I find out how much a treatment or procedure is going to cost?

After you enroll, you will have tools on [www.myuhc.com](http://www.myuhc.com) that can help you estimate the cost of treatments and other procedures based on your health plan, a specific doctor or hospital, and your ZIP code.

18) How do I pay with an HSA?

If you receive a bill from your doctor, or if you are paying for a prescription, you can pay from your HSA using your HSA Debit MasterCard card at the point of service, withdraw cash at an ATM to replenish funds paid out of pocket ($2.50 fee applies as well as any fees charged by the ATM machine), online bill pay using *myClaimsManager* or via check (available upon request from Optum Bank).

19) Is there a monthly maintenance fee for the HSA account with Optum Bank?

The fee is waived for the 2018 calendar year. However, you are responsible for any maintenance fee if you dis-enroll from the HSA Plan for any reason.

20) Is there a fee for the HSA Debit MasterCard? Can I request additional cards?

There is no fee for the debit card. You can also request additional cards for dependents at no cost. There is a fee of $2.50 per cash withdrawal as well as any fees charged by the ATM machine.

21) If I paid a health care bill with my credit card, can I pay myself back from my HSA?

Yes, as long as the service is a qualified expense. You can take money out of your HSA to pay yourself back with no penalty. There is a fee of $2.50 per cash withdrawal as well as any fees charged by the ATM machine.

22) Can I use any bank for my HSA?

Yes, but you will need to open an Optum Bank HSA in order to initially receive the State’s contribution and your payroll deduction contributions, which can only be deposited into an Optum Bank HSA. You could then transfer those funds into another bank’s HSA subject to any applicable transfer fees.

23) Does the HSA account earn interest?

Yes, interest is earned while money is in the account. Once your HSA account has reached a threshold of $2,000, you may be able to invest a portion of your HSA in mutual funds. (Note: Investments are not FDIC-insured, are not guaranteed by Optum Bank, and may lose value.)
24) Are the funds available immediately?

Only deposited funds in the account are available for immediate usage. Employee HSA payroll contributions will be available within one business day of payroll check date.

25) What are the HSA deposit options?

- Pretax payroll deduction
- Mail a check (deposit additional dollars into your account by April 15th of the current year in order to realize tax savings for the prior year)
- e-Contribute (arrange a one-time or regular electronic transfer from an account at another financial institution)

26) Do I need to save my receipts?

Yes, take advantage of the receipt vault on www.myuhc.com (see question #25 below) and keep all records of your medical expenses in case of an IRS audit. This way you can prove that your HSA was used for qualified expenses. (Note: Optum Bank does not track your expenses or verify eligibility however they will report all contributions and withdrawals to both you and the IRS at year end.)

27) What tools are available on www.myuhc.com for managing my HSA account online?

- Check your balance
- Arrange deposits from another bank account
- Pay bills to health care providers
- Reimburse yourself for qualified medical expenses paid out-of-pocket
- Use HSA calculators
- Check the contribution tracker for year-to-date contribution amounts
- Use the convenient receipt vault (upload your receipts and store them online)
- Manage investment activities for your HSA

28) What if I want to switch plans at the next open enrollment?

If you enroll in the HSA Plan effective January 1, 2018, you are committed to the plan for the entire 2018 plan year, unless you have a qualified status change. At the next open enrollment in late 2018 you can make a new health plan election for coverage effective January 1, 2019.

29) If I enroll in the HSA Plan and decide to change plans at the next open enrollment, what happens to the money in my HSA?

The money in your HSA is yours to keep.

30) Will the state’s contribution be pro-rated if I enroll in the HSA Plan during the year due to a status change or if I’m newly hired?

No. The state’s contribution is made in two deposits. The first deposit (half of the contribution amount) occurs on January 1st and second deposit (half of the contribution amount) occurs on July 1st. You must be enrolled on the date the deposit is scheduled in order to receive the state’s contribution. (Ex: Employee hired or experienced a status change on Jan 3rd will only
receive state’s contribution on July 1st; employee hired or experienced a status change on July 3rd will not receive any state’s contribution for the plan year.)

31) Can I rollover HSA funds from a previous employer into my HSA through the State’s HSA Plan?

Yes, you can rollover over the funds into your HSA by filling submitting a HSA rollover/transform request. Optum Bank provides their own form, but please first check with the institution that holds your previous HSA on whether you are required to use their own rollover form(s).

32) What happens to my HSA if I die?

- You can assign a beneficiary to your account (online at www.myuhc.com or via paper form).
- If no beneficiary is elected, your estate will be deemed to be the beneficiary.
- If your spouse is designated as a beneficiary, it will become your spouse’s HSA with all the associated tax benefits.
- If anyone other than your spouse is designated as the beneficiary:
  - Your account ceases to be an HSA
  - The fair market value of your HSA will be treated as taxable income to the beneficiary
  - The account can be used for your decedent’s expenses on a tax-free basis if used within 1 year after death.

Section II – HSA and Medicare

Note: Many people are automatically enrolled in Medicare Part A when they turn 65. If you are enrolled in Part A, you are enrolled in Medicare.

33) Can I continue contributing to my HSA if I am Medicare-eligible (but have not signed up for Medicare)?

Maybe, depending on your situation:

- If you’re eligible for Medicare but have not filed an application for either Social Security retirement benefits or Medicare, you don’t need to do anything. You have the right to postpone applying for Social Security and Medicare—and therefore can continue to contribute to your HSA—until you stop working. There is no penalty for this delay, and when your employment ends you’re entitled to a special enrollment period to sign up for Medicare.
- If you’re entitled to Medicare because you signed up for Part A at age 65 or later (perhaps not realizing that it can affect the use of your HSA) but have not yet applied for Social Security retirement benefits, you can withdraw your application for Part A. To do so, contact the Social Security Administration at 1-800-772-1213. There are no penalties or repercussions and you are free to reapply for Part A at any future date.
• *If you have applied for, or are receiving, Social Security benefits—which automatically entitles you to Part A*—you cannot continue to contribute to your HSA. In these circumstances, the only way you could opt out of Part A is to pay back to the government all the money you’ve received in Social Security payments, plus everything Medicare has spent on your medical claims. You must repay these amounts before your application to drop out of Part A can be processed. If you take this action, you’re no longer entitled to Social Security or Medicare—but you can reapply for both at any time in the future (for example, if you end or lose your HSA coverage).

34) **When I enroll in Medicare, can I continue contributing to my HSA?**

You cannot contribute to an HSA in any month that you are enrolled in Medicare. In the year you enroll in Medicare, your total contribution (your contribution plus the State’s) must be prorated. For example, if you enroll in Medicare in July 2018, your HSA contribution must reflect the fact that you were eligible to contribute to your HSA for only half of the year (January through June). This means your total HSA contribution cannot exceed $1,725 for individual coverage and $3,450 for family coverage (or, with the “catch up” contribution, $2,225 for individual coverage and $3,950 for family coverage).

35) **I’m enrolled in Medicare. Can I still be covered under my spouse’s HSA-qualified plan through his/her employer?**

Yes, and you can continue to use funds from your working spouse’s HSA for qualified expenses.

36) **If my spouse or dependent is enrolled in Medicare, can I open and contribute to an HSA?**

Yes, if a spouse or dependent will be or is already covered by Medicare, you can still sign up for the HSA Plan and open and contribute to an HSA if yourself is eligible (see #2 above). If you file taxes jointly with your spouse, you can use your HSA to help pay for your spouse’s qualified expenses, such as Medicare premiums.

37) **I’m 65 or older and not enrolled in Medicare. What happens to my HSA when I decide to retire?**

When you retire and enroll in Medicare, you may no longer *contribute* to your HSA. However, you may *withdraw* money from your HSA for medical and non-medical purposes without penalty. When your Medicare coverage starts, you can use your HSA to pay your Medicare premiums, deductibles, and co-payments.

**Important:** *You need to stop contributing to your HSA six months before you apply for Social Security retirement benefits to avoid tax penalties.* If you’re already at least six months beyond your full retirement age (currently 66) when you finally sign up for Social Security retirement benefits, Social Security will give you six months of “back pay” in retirement benefits. This means that your enrollment in Part A (and therefore in Medicare) will also be backdated by six months. Under IRS rules, you cannot contribute to an HSA in any month that you are enrolled in Medicare, so you will be liable to pay six months of taxes on any HSA contributions made up to that point.
38) I enrolled in Medicare under age 65 due to a disability. Can I participate in the HSA Plan?
Yes, but as long as you are enrolled in Medicare, you would not be able to contribute to an HSA.

Section III – HSA and Flexible Spending Account

39) Can I have an HSA and a flexible spending account (FSA)?
Yes and no. Per IRS rule, you cannot maintain both a *general purpose* health care FSA (GP FSA) and an HSA. A GP FSA counts as other health coverage that renders you ineligible for an HSA. But the law does permit an HSA holder to contribute to and maintain a *limited purpose* health care FSA (LP FSA). An LP FSA can only be used to pay for eligible dental and vision expenses, as well as preventive health care expenses.

40) If my spouse has a GP FSA through another employer, can I open an HSA?
Probably not. Unless your spouse’s GP FSA is an “employee-only” or “employee plus children only” GP FSA, you would be covered by your spouse’s GP FSA and would be ineligible to open an HSA.

41) If I am covered under a high deductible health plan through my spouse’s employer can I contribute to a state-sponsored GP FSA?
Yes. However, you should consider electing an LP FSA so your spouse can remain eligible for HSA contributions. If you elect the GP FSA, your spouse will lose his or her eligibility to contribute to an HSA since your GP FSA automatically covers your spouse and is considered disqualifying health coverage for HSA eligibility purposes.

42) If I am currently enrolled in a GP FSA and want to enroll in the HSA Plan during open enrollment, what happens to remaining funds in my GP FSA as of the end of the current plan year?
If you are enrolling in the HSA Plan during open enrollment and you have $500 or less remaining in your GP FSA at the end of the current plan year, the remaining amount will be rolled over to an LP FSA for the next plan year regardless of whether you elect to open an LP FSA. Any amount over $500 will be forfeited. For further details about FSA carry-over and forfeiture, please see the [FSA FAQ](#).