Health Savings Account (HSA) 2023

A Health Savings Account (HSA) works with a qualified health plan and allows you to pay for health care expenses not covered by insurance using pre-tax dollars. Your HSA is funded through payroll deductions on a pre-tax basis into a personal account. The funds carry over from year to year and remain yours even if you change employers.

The High Deductible Health Plan offered by the Diocese of St. Petersburg is a qualified plan. The IRS governs Health Savings Accounts and has established the following rules for who can open a HSA:

- You must enroll in a qualified HSA plan (High Deductible Health Plan)
- You cannot have any other “first dollar coverage” (i.e.: a spouse’s copay plan)
- You are not a dependent on someone else’s tax return
- You are not enrolled in Medicare
- Your spouse cannot participate in a Flexible Spending Account (FSA)

Diocese of St. Petersburg has partnered with Paylocity to administer the HSA. Paylocity will provide a debit card that allows you to pay for qualified medical expenses (deductibles, etc.) directly from your HSA account. Paylocity will automatically send a replacement card near the renewal date printed on your card.

2023 Contribution Limits:	Self Only Coverage	$3,850
	Family Coverage	$7,750

When planning your contribution, remember to include the employer contribution amount so the combined total does not exceed the limits stated above.

Participants age 55 and over and not on Medicare may contribute the maximum annual amount and add a $1,000 “catch up” contribution.

*Employees over age 65 who are participating in Medicare Part A or B may not have an HSA bank account

Employer Contribution
To help offset your High Deductible Health Plan out of pocket costs, the Diocese of St. Petersburg will contribute $550 towards your HSA if you have employee only coverage and $1,100 if you are covering your spouse and/or children.

All employees enrolled in the HSA qualified medical plan must log in to Paylocity and set up their HSA account in order to receive the Diocese contribution, even if you are not going to make any contributions to the HSA.

Examples of Qualified Expenses

Deductibles	Bandages
Copayments	OTC meds
Dental Copays	Splints
Prescription Copays	Braces
Eyeglasses	Wheelchair
Contact Lenses	Crutches

HSA participants are responsible for annually reporting HSA contributions and distributions to the IRS as an attachment to their IRS Form 1040. If there is an audit of your tax return, to avoid a penalty, you will need to substantiate the expenses were qualified by producing receipts or an Explanation of Benefits (EOB).

HSA Frequently Asked Questions

How does an HSA work?
HSAs work in conjunction with an HDHP. The money you deposit into your HSA up to the maximum annual contribution limit is 100% tax-deductible from federal income tax, FICA (Social Security and Medicare) tax, and in most states, state income tax. This makes HSA dollars tax-free. You can use these tax-free dollars to pay for expenses not covered under your HDHP until you have met your deductible.

The insurance company pays covered medical expenses above your deductible, except for any coinsurance; you can pay coinsurance costs with tax-free money from your HSA. In addition, you can use your HSA tax-free dollars to pay for qualified medical expenses not covered by the HDHP, such as dental, vision, and alternative medicines.

Contributions
Tax-free contributions to your HSA can be made in a variety of ways, including:
1. Pre-tax payroll contributions
2. Online payment transfers — transfer funds directly to your HSA from your linked personal savings or checking account.
3. Rolling over or making a transfer from an existing IRA (Individual Retirement Account) to an HSA, but only once in your lifetime.

Distributions
Distributions from your HSA are used to pay for qualified medical expenses. This can be done by the following methods:
1. Paying for purchases and medical services using your Debit Card.
2. Using online bill pay through your online Paylocity HSA Employee Portal.
3. Requesting self-reimbursement through the online portal when you have already paid out-of-pocket for qualified expenses.

Unless individuals are disabled, age 65 or older, or die during the year, they must pay income taxes plus an additional percentage (determined by the IRS) on any amount not used for qualified medical expenses. Individuals who are disabled or reach age 65 can receive non-medical distributions without penalty but must report the distribution as taxable income.

If you are no longer eligible to contribute because you are enrolled in Medicare benefits, or are no longer covered by a qualified HDHP, distributions used exclusively to pay for qualified medical expenses continue to be free from federal taxes and state tax (for most states) and excluded from your gross income.

How do I make investments?
Please refer to the HSA Investment Options document for a listing of investments available to you along with their return rate. Via your investment portal, you may choose which mutual funds you wish to purchase and sell.

How do HSAs differ from Health Care Flexible Spending Accounts (FSAs)?
Both HSAs and FSAs allow you to pay for qualified medical expenses with pre-tax dollars. One key difference, however, is that HSA balances can roll over from year to year, while FSA money left unspent at the end of the year is limited to a $500 carryover to the following plan year OR a grace period. Your spouse's employer may provide the option to enroll in a Limited Purpose FSA. You may choose to use a Limited Purpose FSA to pay for eligible dental and vision expenses and save your HSA dollars for future health care needs. You may use Limited Purpose FSA dollars to reimburse yourself for expenses not covered by your high deductible health plan, such as:

1. Vision expenses, including glasses, frames, contacts, prescription sunglasses, goggles, vision copayments, optometrists or ophthalmologist fees, and corrective eye surgery.
2. Dental expenses, including: Dental care, deductibles and copayments, braces, x-rays, fillings, and dentures.

What are the tax advantages of owning an HSA?
Triple tax savings:
• Contributions and earnings are tax free.
• Withdrawals are tax free when made for eligible medical care expenses.

Can my HSA be used to pay premiums?
No, this would be a non-medical withdrawal, subject to taxes and penalty. Exceptions. No penalty or taxes will apply if the money is withdrawn to pay premiums for:

1. Qualified long-term care insurance; or
2. Health insurance while you are receiving federal or state unemployment compensation; or
3. Continuation of coverage plans, like COBRA, required under any federal law; or
4. Certain Medicare premiums after age 65.

Can I use the money in my HSA to pay for medical care for a family member?
Generally, yes. Qualified medical expenses include unreimbursed medical expenses of the account holder, his or her spouse, or dependents.

May I have more than one HSA?
Yes, you may have more than one HSA and you may contribute to them all, if you are currently enrolled in an HDHP. However, this does not give you any additional tax advantages, as the total contributions to your accounts cannot exceed the annual maximum contribution limit. Contributions from your employer, family members, or any other person must be included in the total.

HSA Frequently Asked Questions

What is a qualified medical expense?
A qualified medical expense is one for medical care as defined by Internal Revenue Code Section 213(d). The expenses must be primarily to alleviate or prevent a physical or mental defect or illness, including dental and vision. Most expenses for medical care will fall under IRC Section 213(d). HSA money cannot generally be used to pay your insurance premiums.

A few examples of expenses that do not qualify are:
• Surgery for purely cosmetic reasons
• Health club dues, • Illegal operations or treatment
• Toothpaste, toiletries, cosmetics or maternity clothes
*See IRS Publications 502 ("Medical and Dental Expenses") and 969 ("Health Savings Accounts and Other Tax-Favored Health Plans") for information.

What happens to my HSA if I quit my job or otherwise leave my employer?
Your HSA is portable. This means that you can take your HSA with you when you leave and continue to use the funds you have accumulated.

What happens to the money in my HSA after I reach age 65?
At age 65 and older, your funds continue to be available without federal taxes or state tax (for most states) for qualified medical expenses; for instance, you may use your HSA to pay certain insurance premiums, such as Medicare Parts A and B, Medicare HMO, or your share of retiree medical coverage offered by a former employer. Funds cannot be used tax-free to purchase Medigap or Medicare supplemental policies. If you use your funds for qualified medical expenses, the distributions from your account remain tax-free. If you use the monies for non-qualified expenses, the distribution becomes taxable, but exempt from the 20 percent penalty. With enrollment in Medicare, you are no longer eligible to contribute to your HSA. If you reach age 65 or become disabled, you may still contribute to your HSA if you have not enrolled in Medicare. Note that for some people, Medicare enrollment is automatic.

Are You Eligible for a Health Savings Account?

Are you covered on a Qualified High Deductible Health Plan? (QHDHP)

YES NO

Have you been enrolled in Medicare, Tricare, VA or HIS non-Preventive Medical/Rx plan within the last 3 months?

NO YES

Are you claimed as a dependent on another person's tax return?

NO YES

Do you (OR YOUR SPOUSE) have a Flexible Spending Account (FSA)?

NO YES

Is it a Limited Purpose FSA?

YES NO

SORRY!
Unfortunately, you are not eligible for a Health Savings Account.

An HSA is a tax benefit that is heavily regulated by the IRS. There are certain requirements to be considered qualified to contribute pre-tax dollars.

You are still eligible to participate in the QHDHP, but you are not eligible to fund a HSA to pay for out-of-pocket expenses.

CONGRATULATIONS!
You are eligible to make pre-tax contributions into a Health Savings Account!

Why choose the HSA?

To assist you with determining if an HSA is right for you, we have put together some illustrations that compare the financial implications of various healthcare scenarios. Note that these are for illustrative purposes only, and not a guarantee of expense.

Employee 1: Single Coverage - Low Utilizer	HDHP Participant	POS Participant	Notes
PCP Office Visit - Annual Physical	$0.00	$0.00	Never a charge for physicals
PCP Office Visit - 2 Sick Visits Per Year	$150.00	$80.00	Assumes contracted rate of $75
Generic Monthly Prescription - Atrovastatin	$105.00	$120.00	HDHP plan cost based on GoodRx
Annual Premium (Payroll Deduction)	$0.00	$1,332.00	
Annual HSA deposit from the DOSP	$550.00	$0.00	
Total Annual Spend	-$295.00	$1,532.00	

Employee 2: ES Coverage - Moderate Utilizers	HDHP Participant	POS Participant	Notes
PCP Office Visit - Annual Physical	$0.00	$0.00	Never a charge for physicals
PCP Office Visit - 2 Sick Visits Per Year	$150.00	$80.00	Assumes contracted rate of $75
X-Ray	$200.00	$0.00	Assumes contracted rate of $200
MRI - neck with contrast	$600.00	$600.00	Assumes contracted rate of $600
Generic Monthly Prescription - Nadolol	$204.00	$120.00	HDHP plan cost based on GoodRx
Generic Monthly Prescription - Atrovastatin	$105.00	$120.00	HDHP plan cost based on GoodRx
Annual Premium (Payroll Deduction)	$6,252.00	$8,928.00	
Annual HSA deposit from the DOSP	$1,100.00	$0.00	
Total Annual Spend	$6,411.00	$9,848.00	

Employee 3: FAM Coverage - Spouse Has Hospital Stay	HDHP Participant	POS Participant	Notes
Spouse Hospital Stay ($50,000)	$7,000.00	$4,000.00	Spouse's Out of Pocket Max
PCP Office Visit - Annual Physical x 4	$0.00	$0.00	Never a charge for physicals
PCP Office Visit - 6 Sick Visits Per Year (2 for spouse)	$0.00	$160.00	No cost for HDHP as family max out of pocket has been met.
X-Ray (Est $200) for Child	$0.00	$0.00	No cost for HDHP as family max out of pocket has been met.
MRI (Est $600) for Spouse	$0.00	$0.00	No cost for HDHP as family max out of pocket has been met.
Generic Monthly Prescription - Nadolol (for EE)	$0.00	$120.00	No cost for HDHP as family max out of pocket has been met.
Generic Monthly Prescription - Atrovastatin (for Spouse)	$0.00	$120.00	No cost for HDHP as family max out of pocket has been met.
Specialty Medication for Child / Humira ($6,000 per month)	$0.00	$3,600.00	Capped based on family max out of pocket
Annual Premium (Payroll Deduction)	$8,172.00	$11,364.00	
Annual HSA deposit from the DOSP	$1,100.00	$0.00	
Total Annual Spend	$7,072.00	$15,364.00	

Flexible Spending Account

Flexible Spending Accounts are a great way to help you save money on certain HealthCare and Dependent Care costs. A portion of your pay can be set aside pre-tax to save on medical, prescriptions, dental, vision and daycare expenses.

There are two types of FSA accounts:

HealthCare FSA - this account is used to pay for eligible out of pocket medical expenses not covered by insurance.

Dependent Care FSA - this is used to pay for eligible child or elder care expenses including daycare, before and after school care and summer day camp.

How do I use my FSA?

When you enroll in the Healthcare FSA you will automatically receive a spending account card. The card is used like a credit card to pay for eligible healthcare purchases. The funds are automatically deducted from your FSA account. This helps to reduce the number of reimbursement claims to file and gives you immediate access to your funds. Dependent Care expenses must be submitted with the appropriate receipts or documentation for reimbursement.

What happens to the funds if I don't use them?

Because FSAs have tax benefits, the IRS places guidelines on them. An Account Balance up to $550 may be rolled over into the next plan year but beware that any amount over the $550 rollover threshold will be forfeited. It's important to plan carefully when determining how much you want to contribute.

How do I enroll?

By electing the FSA during your annual open enrollment period. Once you have determined your annual FSA election, your employer deducts the amount from your pay on a pre-tax basis throughout the year.

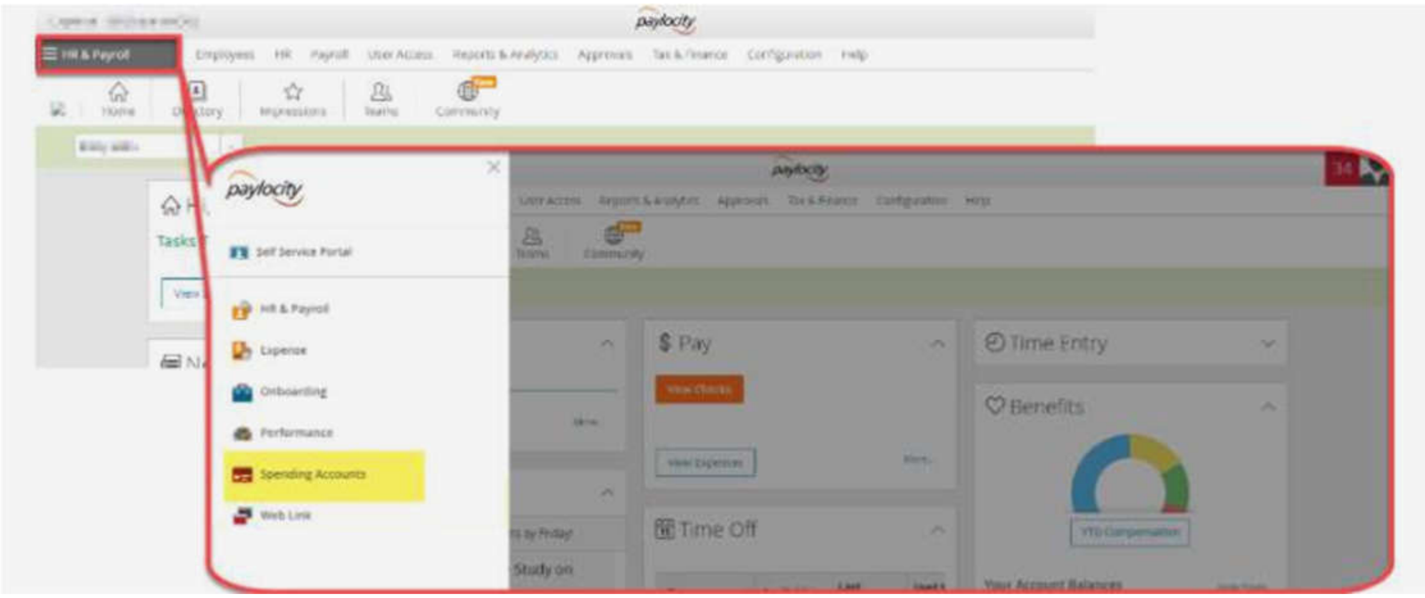
Can I participate in the FSA if I am enrolled in the High Deductible Health Plan and in the HSA?

No, if you have an HSA, you may not also have an FSA

2023 Maximum Annual Election	
Health Care FSA	$2,850
Dependent Care FSA	$5,000

Access Spending Accounts via Self Service Portal

1. Navigate to the Self-Service Portal
2. Review the **Benefits** tile for account and balance information.
3. Select **Spending Accounts** to display **Overview** tab of Your **Spending Accounts**. Or navigate to **Spending Accounts** from the main menu.



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