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## Consumer-Directed Health Plan (CDHP) & Health Savings Account (HSA)

### 2024 Frequently Asked Questions (FAQ)

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#### UNDERSTANDING YOUR CDHP

##### **Q. What is a consumer-directed health plan (CDHP)?**

A. Consumer-directed health plans (CDHPs), are a high-deductible health plan paired with a spending account for out-of-pocket costs, such as a health savings account (HSA).

##### **Q. What is a health savings account (HSA)?**

A. An HSA is a financial account you can put money in to pay for health care services that are defined as qualified medical, dental and vision expenses by the IRS. You won't pay federal taxes on this money, and you may use it anytime to pay for care. Your account may earn tax-exempt interest, and you can take your money with you if you change jobs or retire.

##### **Q. What is a high deductible health plan (HDHP)?**

A. An HDHP has:

- A higher annual deductible than traditional health plans.

- A maximum limit on the sum of the annual deductible and out-of-pocket medical expenses. Once the out-of-pocket limit is reached, you will be covered at 100% for any expenses in excess of this amount.

In order for an HDHP to be considered HSA-compatible, the plan must be a high-deductible health plan with minimum deductibles and maximum out-of-pocket limits as defined by the IRS. For 2024, the deductible must be **at least**:

- \$1,600 for an individual
- \$3,200 for a family

The maximum out-of-pocket **cannot be more than**:

- \$8,050 for an individual
- \$16,100 for a family

##### **Q. Who is eligible to set up an HSA?**

A. To be eligible for an HSA, you need to meet the following requirements:

- You must be enrolled in an HSA-qualified deductible health plan, also

known as a high-deductible health plan (HDHP).

- You can't be enrolled in Medicare or Medicaid.
- You can't be eligible to be claimed as a dependent on someone else's tax return.
- You can't have additional health coverage that is not an HSA-qualified deductible plan. This includes being enrolled in a spouse's non-HSA-qualified plan as secondary coverage. (There are certain exceptions, which will be explained under "Other Coverage" later.)
- You must not be on active military status.
- If you are a veteran, you may not have received veterans' benefits within the last three months.

The IRS has specific rules on who can open an HSA. To see those rules, please refer to the [IRS Publication 969](#).

#### **Q. What is defined as other coverage?**

A. You (and your spouse if you have family coverage) generally cannot have any other health coverage that is not a HDHP. You can have additional insurance that provides benefits for the following items:

- Accident and disability insurance.
- Dental, vision and long-term care.
- A specific disease or illness.
- A fixed amount per day (or other period) of hospitalization.

#### **Q. What can I use my HSA money for?**

A. You can use the money in your HSA to pay for types of care that are defined as qualified medical expenses, both for yourself and your covered dependents.

Examples include, but are not limited to:

- Primary and specialty care visits
- X-rays and lab tests
- Hospital visits
- Prescription drugs
- Non-cosmetic dental care
- Eyeglasses, eye exams and LASIK vision correction

For a more detailed list, see [IRS Publication 502](#).

#### **Q. Who can use the money in an HSA?**

A. The money can be used for qualified medical expenses 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 \$4,050 or more, or
  - c. You, or your spouse if filing jointly, could be claimed as a dependent on someone else's 2023 return.

Payments for a dependent who doesn't meet the definition of "tax dependent" may

be considered nonqualified costs. This means that you have to pay taxes and penalties for these payments. Please refer to [IRS Publication 969](#) for more information.

**Q. What are the tax benefits of an HSA?**

A. There are several benefits:

- Contributions to the account are federal tax-deferred or tax-advantaged.
- Any investment and interest earned in your account are federal tax-deferred.
- Withdrawals from the account for qualified health care costs are federal tax-free.

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**MAKING CONTRIBUTIONS TO YOUR HSA**

**Q. Who can contribute to an HSA?**

A. You, your family members, your employer, and anyone else can contribute to your HSA. The same maximum limit on the amount you can add to the account each year applies no matter who makes the contribution.

**Q. How much can be contributed to my account?**

For 2024, the annual maximum(s) that can be contributed is as follows:

**2024 Contribution Limits**

Coverage:	Individual	Family
Under 55:	\$4,150	\$8,300
Over 55:	\$5,150	\$9,300

These amounts may be changed for inflation each year by the IRS. You can contribute to your account until April 15<sup>th</sup> the following year for which you want to make contributions.

**Q. How do I contribute money to my HSA?**

A. You can contribute into your HSA in the following ways, up until the IRS-annual limit: through payroll deductions, taken out on a pre-tax basis (however, contributions are still eligible for CA state taxes) or post-tax money deposited into the HSA account on your own.

**Q. What if I contribute too much to my account during a year and go over the annual maximum allowed?**

A. If you contribute too much to your account, IRS rules require that you pay a regular income tax, plus a tax penalty on the amount you went over (20%). If you realize you've contributed too much before you file your taxes, you may choose to submit a form showing these contributions to the HSA financial company to remove the excess funds.

**Q. What if I end my coverage before the end of the year?**

A. If you leave during the year and do not enroll in another HSA-compatible plan, the annual contribution maximum is prorated. This is based on the number of months that you were enrolled in the HSA-compatible plan. For example, let's say you were enrolled in the HSA, fully funded your account, and change jobs July 1, 2024, and are no longer eligible to contribute to the HSA. The maximum amount would be calculated for 2024 in this way:

$$(\$4,150 \times 6 \text{ months}) / 12 \text{ months} = \$2,075$$

In this scenario, you would need to withdraw the excess funds before the end of the tax year to avoid paying tax penalties.

**Q. What is the difference between an HSA and a health care flexible spending account (FSA)?**

A. Both HSA's and FSA's can be funded with pre-tax dollars and be used to pay for medical expenses. However, HSA balances can roll over year to year, while FSA money is forfeited if it is not spent during a 12-month period. Additionally, if you leave your employer, your HSA dollars are yours to keep, while FSA dollars are forfeited.

**Q. Can I have an HSA and an FSA?**

A. Yes, you are eligible to have both an HSA and an FSA, only if the FSA is defined as either a:

- Limited/Special Purpose FSA, which may be limited to dental or vision services only (excludes medical and prescription drugs).

- Limited Purpose High-Deductible FSA, which allows for dental or vision services, as well as paying for coinsurance under the traditional health component of the plan, after the deductible has been met.

You are considered eligible to contribute towards your HSA once your FSA is exhausted or is considered limited purpose. You cannot contribute to an HSA and be enrolled in a general-purpose FSA for overlapping months. Dependent care FSA's are excluded from this rule. Please contact your District's FSA vendor for more information.

**Q. Are HSA contributions and eligible expenses for a spouse dependent upon tax filing status?**

A. Tax filing status does not affect your contributions or eligible expenses for your spouse. The IRS does not include requirements for filing jointly or separately. However, the IRS does require that children must be tax dependents.

**Q. What if my spouse has an HSA too?**

A. The chart below explains a few different situations:

If your spouse:	And you have:	Then, the IRS (2024 maximums):
Has PPO (preferred provider organization) self + children coverage.	HDHP (high deductible health plan) self-only coverage.	Treats you as having single coverage and only you may set up an HSA. You may contribute up to \$4,150.
Has HDHP self-only coverage with a \$1,600 deductible.	HDHP self + child coverage with a \$3,200 deductible.	Treats you both as having family coverage, and you may contribute up to \$8,300 to an HSA.
Has HDHP self + family coverage with a \$3,200 deductible.	HDHP self + spouse coverage with a \$3,200 deductible.	Treats you both as having family coverage, and you may contribute up to \$8,300 to an HSA.
Is enrolled in Medicare.	HDHP self + family coverage only.	Will only allow you to set up an HSA. You may contribute up to \$8,300.

#### ACCESSING CARE WITH YOUR HSA

##### **Q. What can I expect using my HSA for the first time after enrolling?**

A. If you are using your HSA for your first expense of the year, you will have to pay the full-cost for all services until your deductible is met. This also includes prescription drug refills.

After your deductible is met, you will pay the copay or coinsurance listed on your plan summary or Evidence of Coverage (EOC) until you reach the out-of-pocket maximum.

##### **Q. What happens if I have a medical emergency early in the year and there isn't enough money in my HSA to cover out-of-pocket costs?**

A. The HSA works like a bank account. You can only spend what is in the account. However, you can reimburse yourself for any services incurred after you enrolled in the HSA when you have more funds in your account. For example, you can float the services on a credit card and reimburse yourself with funds in your HSA once they are in your account. Please visit your Anthem or Kaiser account for more information on reimbursement.

##### **Q. What counts toward my out-of-pocket maximum?**

A. The out-of-pocket maximum adds together your deductible and the percentage you shared in the cost of covered expenses (your coinsurance or portion of the cost). Once you reach the combined medical and prescription drug maximum out-of-pocket, the plan pays covered expenses at 100% for the rest of

the calendar year. Please note that if you use out-of-network providers, the provider can bill you the difference for services above the maximum allowed amount the plan pays, even if you have met your out-of-pocket maximum.

**Q. Are deductibles included in the out-of-pocket maximum for the HSA?**

A. Yes, deductibles and coinsurance for your medical and pharmacy costs all count towards the out-of-pocket maximum.

**Q. What about age-appropriate preventive care services?**

A. The medical plan covers age-appropriate preventive care services like checkups, vaccines, and mammograms at 100% when you use a provider in the network. You won't have to pay anything out of your own pocket when you get care from a network provider. Please keep in mind that if you ask about any additional health problems during your visit, the visit will be considered diagnostic care and the cost for care will be your responsibility.

**Q. How do I pay for a doctor or specialist visit with my HSA?**

A. Go to the provider's office and show your medical ID card. The provider will provide an estimate of the cost of the visit. You may pay for the cost now with HSA funds if available or pay out of your pocket (in some scenarios the provider will allow you to defer payment until the final billing has processed). The provider will bill your insurance company and will apply all

applicable in-network discounts to the bill and provide you with your cost share, through an Explanation of Benefits (EOB). The amount you paid at the time of service will count towards your final bill.

**Q. How do I pay for prescription drugs with my HSA?**

A. Show your medical ID card when you go to the pharmacy. The pharmacy will apply all applicable in-network discounts. If funds are available, you may pay with your HSA debit card, or out of your own pocket. The pharmacy will then send the claim to the insurance carrier which will count towards your deductible and out-of-pocket maximum.

**Q. How can I estimate the cost of my services?**

Both Anthem Blue Cross and Kaiser Permanente have cost estimates tools you may utilize prior to your visit.

For a quick comparison for current Anthem Blue Cross members, you can estimate the cost of your average visits by looking at past EOB's, subtracting the "Patient Savings" from "Total Billed" for an estimate of the total claim with in-network savings. This total is roughly the cost you can expect to pay for the same visit. For Kaiser Permanente, please refer to the "Sample Fee List" on the CSEBO website for examples of care.

**Q. What should I do with the receipts for services I had?**

A. You should keep all receipts for disbursements from your HSA account. Since you own the HSA, you are responsible for giving documentation to the IRS, if you ever need to, for the expenses charged to your HSA (all expenses, including those for eligible dependents).

**Q. What if I use my HSA funds for nonqualified health care costs?**

A. HSA funds spent on ineligible expenses must be reported as income and are subject to a 20% penalty (unless the account holder is 65 or older). If you realize you've used HSA funds for nonqualified health care costs before filing your taxes, you can fill out a form showing these contributions, along with a check to put the funds back in your HSA.

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MANAGING THE MONEY IN YOUR HSA

**Q. Who holds the money in my HSA?**

A. A qualified financial institution holds it and handles those records. For Anthem Blue Cross members, the money is held by HealthEquity, [www.healthequity.com](http://www.healthequity.com). For Kaiser Permanente members, the money is held by HealthcareBank, [www.kp.org/healthpayment](http://www.kp.org/healthpayment).

**Q. Once I am enrolled in an HSA-qualified plan, how do I set up my account?**

A. After your District processes your medical enrollment form, the respective vendors will automatically start the HSA account opening process once eligibility is received. Your HSA account will be linked to

your Anthem Blue Cross or Kaiser Permanente user account. Please login to your carrier's website for more information.

**Q. How do I access the money in my HSA?**

You will receive a debit card from HealthEquity for Anthem Blue Cross or Healthcare Bank for Kaiser Permanente. Once received, please login to your Anthem Blue Cross or Kaiser Permanente account to accept the terms and conditions. If you deposit money into the account without accepting the terms and conditions, your purchases will be denied until the terms are accepted.

Once your account is activated, you will be able to access your account to track your account balance, add money to your HSA, check claims and pay your bills.

**Q. Will my HSA earn interest?**

A. Yes. The HSA is an interest-bearing account.

**Q. Can I invest my HSA?**

A. Yes. To access the mutual fund options by bank vendor, you will need to reach a minimum account balance before you can start investing. For Anthem Blue Cross and Kaiser Permanente members, you will need a minimum of \$2,000. All other funds not placed into mutual fund options will earn the respective bank's standard interest rate.

**Q. Are the interest and investment earnings in my HSA tax-free?**



A. Yes, when the funds are distributed and used for qualified health care costs. Interest and investment earnings grow tax-deferred in the account. That means you'll only be taxed if funds are withdrawn for non-health care costs.

**Q. Is there a time restriction on when I may use the funds in the account?**

A. No. Once the funds are put in the HSA, they may be used at any time in the future for qualified health care costs.

**Q. If I leave the medical plan, what happens to my HSA?**

A. You own the HSA; the money is yours to keep. You may choose to keep the funds in your account or roll the funds into a different account. If you leave the funds in your account, you will pay a monthly fee for keeping the account open.

If you retire and are insured by Medicare, change to a health plan that is a non-HSA-compatible health plan or go to another employer that doesn't offer an HSA-compatible plan, you can still use your HSA to pay for out-of-pocket qualified health care costs. However, you will be considered ineligible and cannot make contributions into your HSA.

**Q. What happens to my HSA if I am 65 or older and enrolled in Medicare?**

A. Once you enroll in Medicare, you will be ineligible to make contributions into your HSA. You may continue to use your funds for any qualified health expense. You may

also use your funds tax and penalty-free for Medicare Part A (inpatient), Part B (outpatient) and Part D (prescription drug coverage). However, you cannot use the funds tax and penalty-free for medical plan premiums, also known as Part C, or your supplemental plan.

Additionally, after 65 you may also use your HSA funds for non-qualified health expenses. These distributions will be taxed as income, but will not incur the additional 20% penalty.

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**SPECIAL TAX FORMS WITH AN HSA**

**Q. Are there any special instructions for filing my taxes?**

A. Yes. You will receive the following forms from your employer or HSA administrator:

**Form W-2: Wage and Tax Statement**

- On the W-2 you receive from your employer, you will see a combined total in box 12, code W: Employer contributions (if applicable) + employee contributions made through payroll deductions.

**Form 1099-SA: HSA Distributions**

- This form will be sent by your respective HSA administrator in late January/early February. This form shows the total amount of distributions from your HSA. This form must be filed with your taxes.

**Form 5498-SA: HSA Contributions**



- This form is sent by your respective HSA administrator to the IRS on your behalf. This form shows total contributions made to an HSA (including post-tax dollars) between January 1 and the tax filing deadline (typically April 15<sup>th</sup>). You do not need this form to file your taxes.

You must complete the following form on your own to file with your taxes:

**Form 8889: Health Savings Account, filed by the HSA account holder**

- HSA account holders are responsible for filing form 8889 each year. The purpose of this form is to determine how much of your HSA contributions are eligible to be deducted from your gross income on your income taxes and to determine if any taxes or penalties are owed to the IRS. Part II of the form reports all distributions from the account and determines if there is a tax penalty owed for non-qualified medical expenses.
- You must file Form 8889 any year you or your employer contribute money to your HSA or you make a withdrawal from your account. The deduction calculated by Form 8889 is taken on the first page of your income tax return. Since this calculation is an adjustment to your income, there is no requirement that you be eligible to itemize deductions to claim it.

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## VENDOR CONTACTS AND USEFUL LINKS

Name	Website	Phone Number
<b>Anthem Blue Cross</b>	<a href="https://www.anthem.com/login/">https://www.anthem.com/login/</a>	1-800-759-3030
<b>HealthEquity</b>	<a href="https://my.healthequity.com/HE.aspx">https://my.healthequity.com/HE.aspx</a>	1-866-346-5800
<b>Kaiser Permanente</b>	<a href="https://www.kp.org">https://www.kp.org</a>	1-800-464-4000
<b>HealthcareBank</b>	<a href="https://www.kp.org/healthpayment">https://www.kp.org/healthpayment</a>	1-877-761-3399
<b>Internal Revenue Service (IRS)</b>	IRS Publication 969: <a href="https://www.irs.gov/pub/irs-pdf/p969.pdf">https://www.irs.gov/pub/irs-pdf/p969.pdf</a>  IRS Publication 502: <a href="https://www.irs.gov/pub/irs-pdf/p502.pdf">https://www.irs.gov/pub/irs-pdf/p502.pdf</a>	1-800-829-1040