

Health Savings Account (HSA) Information

When you're choosing a health plan, there are many factors that affect your decision. If you want an option with flexibility, a high level of choice and tax-advantaged savings, a High Deductible Health Plan with a Health Savings Account (HSA), might be the right choice for you.

What are HSAs?

Health Savings Accounts (HSAs) are a great way to save money and efficiently pay for medical expenses. HSAs are tax-advantaged savings accounts that accompany High Deductible Health Plans (HDHPs). HSA money can be used tax-free when paying for qualified medical expenses, helping you pay your HDHP PPO with HSA Plan's higher deductible. At the end of the year, you keep any unspent money in your HSA. This rolled over money can grow with tax-deferred investment earnings, and if it is used to pay for qualified medical expenses, then the money will continue to be tax-free. Your HSA and the money in it belongs to you, not your employer or insurance company.

What is a high deductible health plan (HDHP)?

- A high deductible health plan is a plan with a minimum annual deductible and a maximum out-of-pocket limit. These deductibles and out-of-pocket maximums are determined annually by the Internal Revenue Service (IRS) and are subject to change.
- HDHP provide certain tax advantages including the ability to have Health Savings Accounts.

Who is eligible for an HSA?

To be eligible for an HSA, you must:

- Be covered by a High-Deductible Health Plan (HDHP);
- Not be covered under another medical plan that is not an HDHP;
- Not be entitled to (eligible for AND enrolled in) Medicare benefits; or
- Not be eligible to be claimed on another person's tax return.

What are the advantages of an HSA?

Here are some of the advantages an HSA provides you with:

Security – Your HSA can provide a savings buffer for unexpected or high medical bills.

Flexibility – You can use your HSA to pay for current medical expenses, including your deductible and expenses that your insurance may not cover, or you can save your funds for future medical expenses.

Savings – You can save the money in your HSA for future medical expenses, all while your account grows through tax-deferred investment earnings.

Tax Savings – An HSA provides you with triple tax savings:

1. Tax deductions when you contribute to your account
2. Tax-free earnings through investment
3. Tax-free withdrawals for qualified medical expenses

Control – You make the decisions regarding:

- How much money you will put in the account
- Whether to save the account for future expenses or pay current medical expenses
- Which expenses to pay for from the account
- How to invest the money in the account

Portability – Accounts are completely portable, meaning you can keep your HSA after you leave El Camino Hospital.

Ownership – Funds remain in the account from year to year, just like an IRA. There are no "use it or lose it" rules for HSAs, making it a great way to save money for future medical expenses.

Click on the thumbnail to the right to view a video about HSAs.



Health Savings Account (HSA) Information - continued

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

Both FSAs and HSAs are tax-advantaged accounts that allow people to save money to pay for qualified medical expenses, but they have several key differences.

	Health Care Flexible Spending Accounts (FSAs)	Health Savings Accounts (HSAs)
Medical Coverage	Can be used in conjunction with any type of health insurance or no health insurance.	Employee must be enrolled in a qualified High Deductible Health Plan to contribute.
Eligible Expenses	Funds can be used to cover deductibles, copays, and coinsurance, as well as qualified medical expenses that are not covered by health insurance, such as LASIK eye surgery that occur in the current year.	Funds can be used to cover deductibles, copays, and coinsurance, as well as qualified medical expenses that are not covered by health insurance, such as LASIK eye surgery that occur in the current or future years.
Risk of Forfeiture	"Use it or lose it" - the exception to this is the FSA carryover provision. For 2025, any balance over \$640 not used by the end of the calendar year is forfeited.	None. Employee owns account and may be reimbursed for qualified medical expenses at any time in the future.
Annual Max	Health Care FSA: \$3,200 Note: Each year El Camino Hospital will adjust to the IRS annual maximum.	Health Savings Account - Optum Bank Employee only coverage: \$4,300 Family coverage: \$8,550 \$1,000 additional amount may be deposited as "catch-up" if you are 55 years of age or older.
Access/Claims	Once the first contribution is made, the full annual contribution amount is available for reimbursement.	Employee may only be reimbursed up to the account balance.
Coordination between FSA and HSA	If enrolled in an HSA, funds are not accessible for medical expenses until the HDHP deductible is reached. Dental and vision expenses may be reimbursed at any time.	If enrolled in the FSA, funds must be used for medical expenses up to the plan deductible. Employee may also submit dental and vision claims as well as after-deductible medical expenses.

How do I enroll in an HSA?

- During Open Enrollment, employee enrolls in the Aetna HDHP PPO plan and elects an HSA.
- Employee opens an account with Optum Bank, El Camino Hospital's HSA partner.
- Payroll makes bi-weekly pre-tax deductions from employee's paycheck and submits funds to Optum Bank.
- Employee receives medical services paid by the Aetna HDHP PPO plan, subject to deductible and coinsurance.
- Employee may seek reimbursement from HSA account for amounts paid toward deductible and coinsurance.

When do I use my HSA?

- Your HSA dollars can be used to pay your out-of-pocket expenses (deductibles and coinsurance) or you can choose to save your HSA dollars for a future medical expense.
- You may also use an HSA debit card to access your HSA funds (documentation may be required).
- You may use your HSA for non-medical expenses. However, HSA amounts that are used for non-eligible expenses are taxable as income to you and are generally subject to an additional 20% penalty.

Where can I find more information?

Additional information is available on the [Online Benefits Center](#). You may also refer to IRS Publications [969 \(HSA\)](#) and [502 \(Eligible Medical Expenses\)](#).