



BENEFITS FOR THE ROAD AHEAD



Setting Up, Using and Managing a Health Savings Account

By now you have received the materials explaining the **Advantage High Deductible Health Plan (HDHP)** and eligibility requirements for the **Health Savings Account (HSA)** feature of the plan. Remember, the **High Deductible Health Plan**, is a High Deductible PPO plan with a personal account – a Health Savings Account.



Setting up a Health Savings Account

If you elect the **Advantage High Deductible Health Plan**, you will want to enroll in the HSA through WEX. You will receive a debit card after enrollment that you may use to make withdrawals from the HSA for qualified medical expenses. You can access the WEX website at [Login - WEX Health Inc](#) to create your account, access it online, view your balance, look at investment options, and obtain answers to any questions about HSAs.

You choose how and when you'd like to use your Health Savings Account funds

➤ It's your choice...

Tax-free distributions from your Health Savings Account allow you to pay for any qualified medical expenses incurred after your account has been set up. Use your HSA debit card whenever you'd like to pay for qualified medical expenses not covered under the **High Deductible Health Plan**. You may also take out money for nonqualified medical expenses; however, the amount you withdraw will be subject to income tax and a 20% penalty.

If you have specific tax questions, please contact a tax advisor for details.



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You choose how and when you'd like to use your Health Savings Account funds — continued

➞ No claims to file...

Unlike a Health Flexible Spending Account (FSA), there is never a need to submit a claim with receipts to substantiate the expenses. Instead, you simply use the debit card to pay for eligible medical expenses. As long as there are sufficient funds in the account, **WEX** will process the payment on the debit card.

➞ Your responsibility...

It is your responsibility to understand the parameters of the HSA and keep good records of expenses to assure that the distributions have been made for *qualified* medical expenses. As an account holder, you will have to report contribution and distribution information on your tax return. Please read below for more information.



For more information go to
magna.com/usbenefits



A few things about *qualified* medical expenses...

➞ You can use the money in your Health Savings Account to pay for any unreimbursed “qualified medical expense” permitted under federal tax law.

Qualified medical expenses include expenses for medical care that is *not* reimbursed by insurance or any other source, such as:

- Deductibles, coinsurance, and copays
- Prescription drugs
- And more!

As a general rule, these are expenses that would normally qualify for the medical and dental expenses deduction on your tax return.

(Refer to IRS Publication 502, Medical and Dental Expenses, at www.irs.gov/publications/p502)

➞ You can also use the money in your Health Savings Account to pay for certain health insurance premiums:

- Any health coverage while receiving federal or state
 - unemployment benefits
- COBRA continuation coverage
- Qualified long-term care coverage
- Medicare coverage

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A few things about *qualified* medical expenses

— continued

- **Use the money in your Health Savings Account to pay for medical expenses for yourself, your spouse and your tax dependents** even if they are not covered by your **High Deductible Health Plan**.

For example...

Joe elected single coverage under the **High Deductible Health Plan**.

His spouse and children are enrolled in his spouse's plan through her employer.

Joe is not limited to using the money in his Health Savings Account to pay for his non-covered expenses under the **High Deductible Health Plan**.

He can also use the money to pay for expenses that are not covered under his spouse's coverage if he so chooses.

No rush to reimburse expenses

- **There is no time limit to when you can take a Health Savings Account distribution.**

You decide when you want to take a distribution to pay for or reimburse qualified medical expenses. You can decide to take a distribution in one tax year for an expense that was incurred in a prior year. Here are a couple of general rules regarding the timing of distributions:

- You can take a distribution for an expense incurred after your Health Savings Account has been set up.
- You cannot take a distribution for a medical service you have not yet received.

- **Your account carries over from year to year, wherever you go.**

Health Savings Accounts are significantly different from Health FSAs because with a Health Savings Account, your balance automatically carries over from year to year to help pay for future medical expenses. There is no "use it or lose it" rule like with FSAs. And your Health Savings Account balance grows tax-free.



Using your Health Savings Account (HSA) for non-medical expenses . . .

Health Savings Accounts are different from other plans that reimburse medical expenses, such as Health Flexible Spending Accounts (FSAs), because the money in a Health Savings Account can be withdrawn on a taxable basis even though no medical expense has been incurred. If a distribution is made from a Health Savings Account and is not used for qualified medical expenses, *the distribution is considered taxable income and if under age 65, subject to a 20% penalty.*

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Using your Health Savings Account after age 65 or death

➞ Once you turn 65. . .

you can continue to use funds from your Health Savings Account. Any distribution from your Health Savings Account for non-qualified medical expenses will be considered taxable income but will **not** be subject to the 20% penalty.

➞ Upon your death . . .

any balance remaining in your Health Savings Account becomes the property of the individual named as the beneficiary of your account.



- If your surviving spouse is the beneficiary, your spouse becomes the owner of the Health Savings Account. All the rules that applied to you as the account holder will apply to your surviving spouse as the new account holder.
- If you name a beneficiary other than your surviving spouse, the account ceases to be a Health Savings Account as of the date of your death and the funds are considered taxable income to the beneficiary.

What if I take out money for a medical expense I *thought* was qualified and find out it was not?

If you take a distribution from your Health Savings Account and later find out the medical expense was not a qualified expense, you can return the money to your account. You just need to return the money before you file your tax return for that tax year.

The returned distribution will not be considered taxable income or subject to a 20% penalty.

For example ... Joe took a distribution from his Health Savings Account in May 2024 for a weight loss program. Joe's doctor had strongly recommended that he lose weight, and suggested a weight loss program. Joe thought the expense for his weight loss program was a qualified medical expense because his doctor recommended it. He later learned the program was not a qualified medical expense because it was for his general health instead of medical care. Joe returned the distribution to his Health Savings Account in February 2025 before he filed his tax return for 2024 in March 2025. The returned distribution is not considered taxable income and he does not have to pay a 20% penalty.

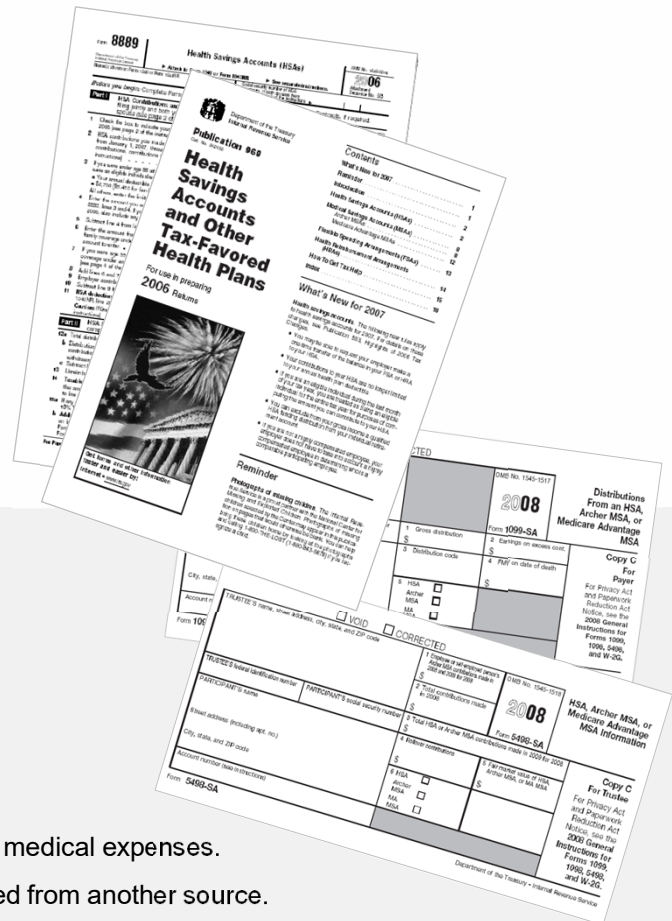


Remember — You, as the HSA owner, are responsible for determining if an expense is considered a qualified medical expense.

Keep it all together for tax purposes

Be sure to report account activity on your tax return

WEX will send you tax forms that report your contributions to and distributions from your Health Savings Account for the tax year. You will need to report that information on your tax return. For more information on reporting account activity on your tax return, please go to www.irs.gov/publications/p969.



Keeping records is your responsibility

As an account holder, you must keep records that show:

- The distributions were exclusively to pay or reimburse qualified medical expenses.
- The qualified medical expenses had not been paid or reimbursed from another source.
- The medical expenses had not been taken as an itemized deduction in any year.

You will not need to submit these records with your tax return. But it is important to keep them with your tax records.

Although the information contained here is presented in good faith and believed to be correct, it is general in nature and is not intended as tax advice. It may not be applicable to or suitable for the individuals' specific circumstances or needs and may require consideration of other matters. Please consult with your tax professional. This publication cannot be used by any taxpayer to avoid tax penalties.

Summary

- **You can receive tax-free distributions from your Health Savings Account to pay for qualified medical expenses** incurred after your HSA has been set up. If you receive a distribution for a nonqualified medical expense, it will be subject to income tax and if you are under age 65, a 20% penalty.
- **Qualified medical expenses are those that would generally qualify for the medical and dental expenses deduction on your tax return.** These are explained in IRS Publication 502, Medical and Dental Expenses, which can be found at www.irs.gov/publications/p502.
- **You can also use the money in your Health Savings Account to pay for the following health insurance premiums:**
 - Any health coverage while receiving federal or state unemployment benefits
 - COBRA continuation coverage
 - Qualified long-term care coverage
 - Medicare coverage
- **With a Health Savings Account, you do not submit a claim with receipts.** Instead, you simply use your HSA debit card to pay for medical expenses.
- **It is your responsibility to maintain records of medical expenses** to confirm that distributions have been made for qualified medical expenses and are, therefore, excludable from gross income.
- **You can use the money in your Health Savings Account to pay for medical expenses for yourself, your spouse and tax dependents** even if they are not covered under your High Deductible Health Plan (HDHP).
- **There is no time limit on when a Health Savings Account distribution must occur.**

The money in your Health Savings Account can be withdrawn on a taxable basis for reasons other than a medical expense. The distribution is considered taxable income and is subject to a 20% penalty. **Once you turn 65 or enroll in Medicare**, any distribution from your Health Savings Account for non-qualified medical expenses is considered taxable income but will **not** be subject to the 20% penalty. If you enroll in Medicare Part A anytime after your Initial Enrollment Period, your Part A coverage will start 6 months back from the date you apply for Medicare, but no earlier than the first month you were eligible for Medicare. To avoid a tax penalty, you should stop contributing to your HSA at least 6 months before you apply for Medicare.
- **Upon your death, any balance remaining in your Health Savings Account becomes the property of the individual named as the beneficiary of your account.** If your surviving spouse is the beneficiary, your spouse becomes the owner of the Health Savings Account. For any other beneficiary, the account ceases to be a Health Savings Account and becomes taxable income.
- **It is your responsibility to report Health Savings Account activity on your tax return**, including contributions to and distributions from your Health Savings Account during the year.



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