HDHP with HSA Frequently Asked Questions

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Overview

Magna offers a High-Deductible Health Plan (HDHP) with a Health Savings Account (HSA) to provide employees with a cost-effective healthcare option that promotes informed decisions and long-term savings. The HDHP features low payroll contributions and higher deductibles, meeting IRS requirements for tax-free HSA savings. Employees can contribute to their HSA through pre-tax payroll deductions or post-tax deposits. HSA funds roll over annually, can be invested, and remain portable if the employee changes jobs or medical plans. This document is a detailed FAQ to assist employees and HR with questions.

FAQ

Why is Magna offering a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA)?

Based on employee interest and our commitment to affordable healthcare, Magna is introducing an HDHP with HSA as a new option. This plan helps keep payroll contributions low while giving employees more control over their healthcare decisions. HDHPs also encourage smarter, more informed choices—benefiting both employees health and your wallet.

What is a High Deductible Health Plan?

A High Deductible Health Plan (HDHP) is a cost-effective health insurance option that gives you more control over your healthcare spending—while still providing strong coverage when you need it most.

At Magna, we've designed our HDHP to meet the IRS requirements for pairing with a Health Savings Account (HSA), which means you can save money tax-free for qualified medical expenses. Our plan features a deductible of $1,700 for individuals and $3,400 for families—set at the IRS minimum and even lower than many of our industry peers.

Here's how it works:

- You pay out-of-pocket for healthcare costs until you reach your deductible.
- After that, the plan covers 80% of eligible expenses, and you pay 20%.
- Once you reach your out-of-pocket maximum, the plan covers 100% of your costs.

Your HSA is there to help you manage expenses along the way—and any unused funds roll over year to year, helping you build long-term savings for future healthcare needs.

This plan is a great option if you're looking for lower payroll contributions and more flexibility in how you manage your healthcare dollars. And remember, we're here to support you every step of the way!

What is a Health Savings Account?

A Health Savings Account (HSA) is a powerful tool that helps you save money—tax-free—for current and future medical expenses. Think of it as a personal healthcare savings account that works much like a 401(k), but for health-related costs.

Here's why it's a great benefit:

- Tax-free contributions and withdrawals for qualified medical expenses.
- Funds roll over year to year, so there's no "use it or lose it" rule like with Flexible Spending Accounts (FSAs).
- You own the account, which means it stays with you even if you change jobs or retire.
- You can invest your HSA funds, helping you grow your savings over time.
- To contribute to an HSA, you must be enrolled in Magna's qualified Advantage High Deductible Health Plan (HDHP).
- An HSA gives you flexibility, ownership, and long-term value—making it a smart way to manage your healthcare expenses now and in the future.

Who is NOT eligible to participate in an HSA?

While Health Savings Accounts (HSAs) offer great benefits, there are a few eligibility rules set by the Internal Revenue Code to keep in mind.

You are **not eligible** to contribute to an HSA if:

- You are **not enrolled in a qualified High Deductible Health Plan (HDHP)**, like Magna's Advantage HDHP.
- You are **enrolled in Medicare** (any part), **Medicaid** or **Tricare**.
- You are a **Canadian commuter**, with a Canadian home address, due to U.S. tax law restrictions.
- You are **covered by another non-HDHP health plan**, including a spouse's plan that doesn't meet HDHP requirements. i.e., a spouse's standard HMO or PPO plan.
- You are **claimed as a dependent** on someone else's tax return.
- You do not have a US **SSN**.
- Special rules apply if you have received **VA Benefits in the last 3 months**, please see applicable rule answered in this FAQ.
- You are **covered by a general-purpose Flexible Spending Account (FSA)**, unless it's a limited-purpose FSA (e.g., for dental or vision only).
    - i.e., you can still elect a Limited Purpose FSA, explained later, and/or a Dependent Care FSA in conjunction with the HSA but not a general-purpose FSA.
- You were covered by a general-purpose Flexible Spending Account (FSA) and have unused money that rolled over into the new calendar year, and did not convert it to a limited-purpose FSA
    - i.e., you contributed $500 to your HealthCare FSA in 2025. You only spent $450 so based on Magna's rollover provision, $50 of the unused dollars will roll over to 2026. This will disqualify you from participating in an HSA in 2026. If this is the case and you would like to participate in 2026, you will need to ensure to use and claim ALL FSA funds by December 31, 2025 or enroll in the Limited Purpose FSA for 2026. A list of eligible expenses is here.

How is an HSA funded?

You can contribute to your HSA through pre-tax payroll deductions by electing this in Workday via Magna or by making post-tax deposits directly through WEX, our HSA administrator, then claiming the tax deduction when you file. Plus, if you are eligible and participate in an HSA, Magna will also contribute to your plan—up to **$400 for individuals** or **$800 for families** annually—when you enroll in the Advantage HDHP. Magna's contributions are deposited in your account at the end of each quarter and are 100% vested, meaning this is your money to keep. To be eligible for the quarterly contribution, you must be an active employee with Magna and have elected & participated in the HSA anytime between the first day of the plan year through the first day of the last month of each quarter.

- 1st quarter employer funding: Participate anytime from January 1 but by no later than March 1
- 2nd quarter employer funding: Participate anytime from January 1 but by no later than June 1

- 3rd quarter employer funding: Participate anytime from January 1 but by no later than September 1
- 4th quarter employer funding: Participate anytime from January 1 but by no later than December 1

Quarter	Participate Anytime Between These Dates to be Eligible for Employer Contribution	Funding Amount deposited by end of quarter Employee Only $ / Family $
1	January 1 – March 1	$100/$200
2	January 1 – June 1	$100/$200
3	January 1 – September 1	$100/$200
4	January 1 – December 1	$100/$200
MAXIMUM TOTAL		**$400/$800**

- i.e., to be eligible for the end of March employer contribution to your HSA, you need to be an active employee (not terminated or on an unpaid leave) at the end of March but have participated in the HSA anytime between January 1 – March 1. If you are enrolled in the Employee Only HDHP plan you will receive $100 and if you are enrolled in two-person of family coverage you will receive $200 by the end of March. If you remain employed for the entire year, at the end of the year you will have a total of $400 if you are enrolled in the employee-only plan or $800 if you are enrolled in the two-person or family plan.

How much can I contribute to an HSA?

For 2026, the IRS will allow contributions of up to $4,400 for an individual or $8,750 for a family. These amounts include the match provided by Magna and any post-tax contributions you make on your own. There are certain rules that limit your contribution amount if you are not enrolled for the entire plan year. Also, the accountholder, age 55 and older can make an additional catch up contribution of $1,000/year as the owner of the HSA thus making your total allowed contribution to be $5,400/$9,750.

When can I contribute to my HSA?

You have flexible options when it comes to contributing to your Health Savings Account (HSA). You can:

- **Contribute anytime during the year**— conveniently through **pre-tax payroll deductions** you elect in Workday with Magna OR directly through WEX on a post-tax basis.
- **Adjust your contributions monthly** if you're using payroll deductions, giving you the freedom to adapt to your financial goals throughout the year.
- **Make contributions up until April 15 of the following year**, which means you have extra time to maximize your annual limit—even after the calendar year ends.

This flexibility allows you to fine-tune your contributions based on your needs. If you find you've contributed too much, you can easily withdraw the excess before filing your taxes to avoid any penalties. And if you haven't reached the annual limit, you can make a lump sum contribution before April 15 to catch up.

We're here to support your financial wellness—your HSA is a powerful tool to help you save for healthcare expenses, both now and in the future!

What if I am hired mid-year or enroll in the plan mid-year via a Qualified Life Event, how much can I contribute to my HSA and will Magna contribute?

If you're hired mid-year, there are still great options to take full advantage of your Health Savings Account (HSA)

Employee Contribution:
Your annual contribution limit is typically prorated based on the number of months you're eligible.

Here's how proration works:

- The IRS sets annual HSA contribution limits. For 2026, they are:
    - $4,400 for individual coverage
    - $8,750 for family coverage
- If you become eligible mid-year, your limit is calculated monthly. You get 1/12 of the annual limit for each full month you're HSA-eligible.
- **Example**:
    - If you're hired on July 10, your eligibility begins on August 1 (first full month of HDHP coverage). If you are enrolled in single coverage, then you are eligible for 5 months if you continue to be enrolled in this plan through the end of December. To calculate your prorated contribution limit it is 5/12 of the $4,400 total which is a total of $1,833.33 (5/12) x $4,400. Please keep in mind, you will also be eligible for the Magna contribution below which is also part of the total prorated contribution so you will want to subtract out the $200 you will receive from Magna for a total of $1,633.33. If you are enrolled as a family, you would take the same equation but divide $8,750 by 12 and multiply by 5 = $3645.83 and subtract out the $400 you would receive from Magna for a total of $3,245.83.

Magna Contribution:
Magna contributes **up to $400 for single** coverage and **$800 for family** coverage each year, funded at the **end of each quarter**. If you join partway through the year, your Magna contribution will be **prorated** based on how many quarters remain.

Here's how it works:

- Magna's annual HSA contributions are:
    - **$400 for single coverage**
    - **$800 for family coverage**
- These are split evenly across four quarters:
    - **$100 per quarter for single**
    - **$200 per quarter for family**
- **Example:**

    - If you're hired on **July 10**, you'll be eligible for Magna contributions starting in **Q3 (July–September)** and **Q4 (October–December)**. That means:
    - **Single coverage**: You'd receive **$200 total** ($100 for Q3 + $100 for Q4)
    - **Family coverage**: You'd receive **$400 total** ($200 for Q3 + $200 for Q4)
- Another provision is that if you're **HSA-eligible by December 1 and you plan to stay enrolled in a high-deductible health plan (HDHP) through the end of the following year**, you may qualify under the last-month rule, explained next.
- Magna is not responsible if you mis-calculate your eligible prorated amount and over-contribute. As with all HSA rules, **you are solely responsible to ensure your eligibility and follow the rules of the HSA plan.**

What is the Last-Month Rule that may apply if I was hired or enrolled in the HDHP plan mid-year?

The HSA last-month rule is a special IRS provision that allows you to make a full-year contribution to your Health Savings Account—even if you were only eligible for part of the year.

Here's how it works:

- If you are HSA-eligible on December 1 (the first day of the last month of the tax year), you can contribute as if you were eligible for the entire year.
- This means you can contribute up to the full annual limit for that year, regardless of when you became eligible.
- **Important: The Testing Period**
    - To use the last-month rule, you must remain HSA-eligible through the entire following calendar year (from December 1 of the current year through December 31 of the next year). This is called the testing period.
    - If you lose eligibility during the testing period (for example, by switching to a non-HDHP plan or leaving Magna and not continuing in a HDHP), the extra contributions you made under the last-month rule become taxable income, and you may also face a 10% penalty
    - This rule can be a great way to maximize your tax-advantaged savings if you become eligible late in the year—but it's important to plan ahead and stay eligible to avoid penalties.
- Magna is not responsible if you change your election or employment the following calendar year. As with all HSA rules, you are solely responsible to ensure your eligibility and following the rules of the HSA plan.

I am enrolled in a two-person plan but everything in this refers to family.

If you are enrolled in a two-person plan i.e. yourself and either a spouse or dependent for a total of 2 enrolled members, then anything that states family would apply to your two-person enrollment status. The only exception is you are only responsible for paying the two-person payroll deduction rate, not the family payroll deduction rate.

Is the money taxable when I withdraw it from my HSA?

Funds you withdraw from your HSA to pay for qualified health expenses, as defined by Section 213(d) of the IRS Tax Code, are tax-free. If you use your HSA funds to pay for non- qualified health expenses, the amount will be taxable, and you will pay an additional 20% tax penalty. The tax penalty will not apply to individuals who are disabled or over age 65, but those funds will be taxable income in the year in which they are withdrawn if not used for qualified medical expenses.

Do I have to keep any records regarding my HSA?

Yes, it is **your** responsibility to keep track of your deposits and expenditures and keep all of your receipts (necessary if you are audited by the IRS). It is **your** responsibility to adhere to the regulations governing HSAs and payment of qualified medical expenses. The consequences for not doing so will come from the IRS. We recommend you designate a place to store all your receipts so they are available when you need them.

Do I submit my reimbursement requests to Human Resources for access to my HSA funds?

No, you will submit eligible expenses directly to WEX, Inc., Magna's administrator of the HSA, who will reimburse you from the funds in your account. You also have the option of using the debit card provided by WEX to pay for eligible expenses at the point of service. The funds must be available in your account to pay for the cost of the service, and no overdraft is available. Neither Magna nor WEX is responsible for determining if your expense is considered a qualified medical expense.

Who decides whether the money I'm spending from my HSA is for qualified medical expenses?

You are responsible for that decision, and therefore, should understand what medical expenses are permissible. A good resource that explains what qualified medical expenses is IRS Publication 502. Remember to keep your receipts in case you need to defend your expenditures or decisions during an audit. (See www.irs.gov/publications/p502)

How does an HSA compare to a Health Care Flexible Spending Account (FSA)?

There are similarities, but here is what makes an HSA different:

- Your HSA balance rolls over each year – there is no "use it or lose it" rule – so you can accumulate funds for future health expenses.
- Your HSA is portable – it's your own account, so you use the same account from one employer to the next.
- Interest or investment earnings on the HSA funds are tax-free.
- You can spend the funds on non-healthcare items, but those funds will be taxed, and an additional penalty of 20% will apply if you are under age 65
- Only the funds accrued in the account can be used vs. a health care flexible spending account, where the entire balance is available for use on the first day of the Plan Year.
- You cannot enroll in Magna's Health Care Flexible Spending Account if you enroll in the Advantage HDHP and open a Health Savings Account, however, you can enroll in a Limited Purpose FSA and/or a Dependent Care FSA.

What happens to my HSA if I change medical plans or leave Magna?

Your HSA is portable, which means you can keep your HSA even if you:

- Change jobs

- Change your medical coverage
- Become unemployed
- Move to another state
- Change your marital status

While you may only contribute to your HSA when enrolled in the qualified Advantage HDHP, you will still have access to your funds.
If you leave Magna mid-year or change your medical plan so that you're no longer enrolled in a qualified High Deductible Health Plan (HDHP), your HSA eligible contribution limit will be prorated based on the number of months you were eligible during the year. Eligibility is counted by month, and you must be HSA-eligible on the first day of the month for that month to count. Your annual contribution limit is divided by 12 and multiplied by the number of eligible months.

- Example: You were enrolled in single coverage and were HSA-eligible from January through July 5 (6 full months). If the 2026 annual limit is $4,400 then your prorated limit is (6/12) x $4,400 = $2,200. Please also keep in mind that you would have received 2 quarterly Magna contributions of $200 total so the maximum employee contribution you could've contributed was $2,000 plus the $200 Magna contribution totals $2,200. This would be your maximum contribution for the year unless you qualify for the last-month rule.

Will my HSA contributions be invested and what fund options are available through WEX?

WEX offers investment options for employees to invest HSA funds after the account meets a certain dollar maximum – amounts over $1,000 can be invested. For specific details contact WEX directly at 866- 451-3399 or visit their website https://www.wexinc.com/ and access the WEX Benefits Toolkit for specific questions about your individual account or to submit a support request contact WEX Participant Services once enrolled.

Who is considered an eligible tax-dependent for use of any HSA contributions I make, and what are some of the issues I should consider before making contributions to include myself and any eligible tax dependents?

In general, an eligible tax dependent is a qualifying child who passes these tests:

- The child will not be age 19 during the plan year (or up to age 24 if full-time student), and
- The child has the same principal place of residence as the taxpayer for more than half of the
- taxable year, and
- The child does not provide over half of his/her own support during the taxable year, and
- The child cannot file a joint tax return, and
- No one else may claim the child as a dependent and you are claiming the child as a tax dependent

An exception is made for a disabled child, who can be carried on the HSA regardless of age, if s/he is a qualified tax dependent.

Note that the IRS laws have not caught up to ACA legislation, which means that for your HDHP medical plan, you can cover your child(ren) to age 26. However, to use the HSA funds for your *child(ren), your child(ren) must be under the age of 19 during the benefit year, or to age 24 if a full- time student.*

Eligible tax dependents are also qualifying relatives—any relative who is

- Not a qualifying child of another person, and
- Who has gross income less than the exemption amount, and
- Receives over half of his/her support from the taxpayer, and
- If a non-relative, resides with the taxpayer the entire year.

The IRS allows a child(ren) of divorced parents to be treated as a dependent of both parents under the HSA. This means that each parent can use his or her HSA funds to pay for the child(ren)'s qualified medical expenses, even if the other parent claims the child's dependency exemption, but only if:

- The child is in the custody of one or both parents for more than ½ the year, and
- The child receives over ½ his or her support during the year from his/her parents, and
- The child's parents:
    - Are divorced or are legally separated under a decree of divorce or separate maintenance;
    - Are separated under a written separation agreement; or
    - Lived apart at all times during the past six months of the year

What happens to my HSA funds if I decide not to enroll in the Advantage HDHP next year? Do I lose them, and when can I use them again?

When you enroll in an HSA and are also enrolled in the Advantage HDHP, you can contribute to the HSA and use those funds to pay for qualified medical expenses. Any unused money will roll over year after year. If you decide not to participate in the Advantage HDHP in the future, you still retain the money in your HSA. You can use the funds in your HSA to pay for qualified medical expenses without penalty, however, you cannot continue to make contributions to the HSA, until you are again enrolled in a qualified HDHP. If you are not enrolled in the Magna Advantage HDHP but still have an open HSA account with WEX, you will pay $3.00 per month, which is automatically deducted from your HSA for keeping your account open. You can also transfer your HSA funds from WEX to another qualified carrier of your choosing.

What happens if I withdraw money from my HSA for non-qualified medical expenses? How does the IRS know and how do I keep track of my withdrawal?

Your withdrawal will be counted as taxable income for the year in which it was withdrawn and will also be subject to a 20% excise tax if you are under the age of 65. Once you reach age 65, withdrawal for non-qualified expenses is taxable, but no penalty applies. The 1099-SA form is used to report both qualified and non-qualified distributions from an HSA. You or your tax preparer will then enter the distribution amount shown in Box 1 on the Form 1099-SA on Line 14a on Form 8889. Form 8889 is filed with your tax return to report your HSA contributions and distributions. (Your contributions are taken from Box 12 of your W-2, which shows your pre-tax payroll contributions to your HSA; your employer contributions are also reported, labeled as such and marked with the code "W".)

What happens to the funds in my HSA if I pass away and my spouse passes away?

You should add a beneficiary to your WEX online account once you have registered. A spouse beneficiary can assume ownership of the account without tax penalties or receive a taxable lump sum distribution. If he/she assumes ownership, the standard HSA rules and penalties would apply, such that use of the funds for non-qualified medical expenses would be considered taxable income for the year in which it was withdrawn and would also be subject to the 20% penalty if withdrawn before age 65. All other beneficiaries would receive a taxable lump sum. Taxes are assessed on the value of the account on the date of death of the primary accountholder and can vary. You should discuss your tax concerns with your tax advisor or accountant if you are concerned about how these funds will be taxed in the event of you and your spouse's death. If you do not name a beneficiary, the proceeds go to your estate. Without a will, how the disbursement of the funds is handled will be determined through probate court and subject to state law. Probate court can take from several months to several years to determine how all your assets, including your HSA, are disbursed.

What if I don't have enough money in my HSA to pay a medical expense?

You only have access to the amount that has been deposited in your account. For example, if you elect to have $2,000 deposited into your HSA, those funds will be deposited over 26 pays, meaning that you will have approximately $76.92 per pay deposited into the account. On the last pay period of the year, assuming you have not used any of the funds, you would have the full $2,000 employee balance available for use. The Magna match will be applied quarterly, so you would receive one-fourth of the match each quarter.

If you find yourself in a situation in which your medical bills are more than the amount you have available in your HSA, you have a couple of options:

- Many health care providers will allow you to pay installments over a period, or you can set up recurring payments with them.
- You can also pay for medical expenses out-of-pocket and reimburse yourself from your HSA account once your balance reaches a certain amount.

I have an HSA with a balance over WEX's threshold to enable me to invest my money. Can I invest the full balance in the HSA in the investment options or just the amount over the threshold?

You can only invest amounts over $1,000 in the HSA investment options. For example, if you have $1,500 in your HSA, you can only invest the $500. Then, as an example, if you have claims that bring your account balance (not including the $500 investment) down to $500, you cannot make any further investments until your account reaches over $1,000 again. You may sell your investment options at any time, and those funds will be deposited back to be used for qualified medical expenses. It is important to note that you need to contact WEX if you want to sell your investment options, as WEX needs your consent to do this. For specific details contact WEX directly at 866-451-3399 or visit their website https://www.wexinc.com/ and access the WEX Benefits Toolkit For specific questions about your individual account or to submit a support request contact WEX Participant Services once enrolled.

What is a Limited Purpose Flexible Spending Account (FSA) and why would I consider contributing to this if I plan on contributing to the HSA?

Both the Limited Purpose and Healthcare Flexible Spending Accounts (FSAs) help you save money on eligible healthcare expenses by using pre-tax dollars, but they serve different purposes—especially when paired with a Health Savings Account (HSA).

General Healthcare FSA

- Designed for employees not enrolled in an HSA.
- Covers a wide range of eligible expenses like medical, dental, vision, prescriptions, and more.
- Funds are available upfront at the beginning of the plan year.
- Use it or Lose It Rules Apply

Limited Purpose FSA

- Specifically designed for employees who are contributing to an HSA.
- Covers dental and vision expenses only, allowing you to maximize your HSA for broader medical costs while still saving pre-tax dollars on routine care.
- Works alongside your HSA without affecting your HSA eligibility or contribution limits.

Why consider a Limited Purpose FSA with an HSA?

- It's a smart way to stretch your healthcare dollars even further.
- You can preserve your HSA funds for long-term savings or major medical expenses, while using your Limited Purpose FSA for day-to-day dental and vision costs.
- Both accounts offer tax advantages, helping you reduce your taxable income and increase your take-home pay.

My spouse and I are both over the age of 55. Can I make a $1,000 "catch up" contribution for both of us, for a total of $2,000?

No, "catch up" contributions only apply to the accountholder. Your spouse must have their own HDHP with HAS to make their own "catch up" contribution.

My spouse and I are both enrolled in our employer's respective HDHP with individual coverage and want to contribute to our own individual HSAs. We are both over the age of 55. What is the maximum contribution we can make to our HSAs?

Publication 969 alludes to the fact that if each individual has individual coverage, then each individual can make the maximum individual contribution of $4,400 for Plan Year. In addition, if both spouses are age 55 or older and not enrolled in Medicare, each spouse's contribution limit is increased by the additional "catch up" contribution of $1,000 each, such that the total maximum contribution between the HSAs is $10,800 ($5,400 each) for the Plan Year. However, Magna provides an employee match of $400 single/$800 family for employees, so the maximum contribution, including the "catch up" contribution for the employee must be reduced by any Magna contribution.

My spouse and I are both employed by Magna in different divisions so are enrolled in the Magna Advantage HDHP with our respective divisions, but my spouse is eligible and enrolled in Medicare Parts A & B, and I am not. Can I still make contributions to the HSA?

Yes, the employee is the account holder of the HSA, and the eligibility is based on the enrollment in the Advantage HDHP. Therefore, the employee can contribute the full family maximum for the 2026 Plan Year, which is $8,750. If the employee is also age 55 or older, s/he can also make an additional $1,000 in “catch-up” contributions, for a total of $9,750 for the 2026 Plan Year, minus the Magna contribution.

Does Magna’s Spousal Mandate rules still apply if I enroll in Magna’s HDHP with HSA?

Yes, Magna’s spousal mandate rule still apply.

Can I contribute to my HSA if I also have medical coverage through the Veteran’s Association?

If you only receive preventive care from the Veteran’s Association (VA) and/or have a disability rating from the VA, you can still make contributions to your HSA as the account holder. If you do not have a disability rating from the VA or you have utilized services other than preventive care through the VA, then you cannot make contributions to your HSA for up to three months after receiving care from the VA per IRS guidelines

Can I rollover or transfer funds from my HSA to a retirement account?

No, the IRS does not allow funds to be transferred or rolled over from your HSA to your retirement accounts such as a 401(k) or IRA. However, you may do the following:

- Roll over funds from one HSA to another either with the same or a different administrator, but you are generally limited to one rollover per 12-month period,
- You can make a one-time transfer from an IRA to an HSA, but this transfer counts towards your annual HSA contribution limit for that year.

While you cannot directly roll over HSA funds into a retirement account, you can use your HSA as a retirement savings vehicle. Once you turn age 65, you can withdraw funds from your HSA for any purpose, although withdrawals not used for qualified medical expenses will be taxed as ordinary income for the year in which the funds are withdrawn.

What kind of health expenses can be paid for with HSA funds?

Eligible or “qualified” expenses are defined by Section 213(d) of the IRS Tax Code They are the same expenses that are eligible for reimbursement under a Health Care FSA (see IRS Publication 502).

What if I enroll in the HDHP with an HSA now, but lose eligibility later because I enroll in a non-qualified plan?

You need to be covered by Magna’s Advantage HDHP to contribute to your HSA. So, if you gain coverage under another medical plan that is not a qualified HDHP, you will need to stop making contributions to your HSA. You can still use the funds in your HSA for qualified medical expenses, even if you are not eligible to contribute to the HSA.

Can I use the money in my HSA to pay for qualified medical expenses for my spouse or child if they are not covered on my medical insurance?

Yes, you can spend your HSA dollars on qualified medical expenses for yourself, or anyone you claim as a spouse or dependent on your personal income tax—even if that person is not enrolled in your medical plan.

Does the HSA earn interest?

Yes! This is one of the best features of an HSA. Deposits are held in an interest-bearing checking account. Individuals can also choose to invest the funds. The earnings accumulate tax free, and as long as the money in the account is used to pay for qualified expenses, account holders will not pay taxes on the money deposited or the interest or earnings gained.

What happens after I turn age 65 or enroll in Medicare?

Once you reach age 65, deductions for non-qualified medical expenses are considered taxable income but are no longer subject to the 20% distribution penalty. Generally, this also means that you will no longer be able to contribute to the HSA at age 65, since most individuals enroll in Medicare Part A (hospital) at no cost upon turning age 65. However, you can continue to use funds in your HSA to pay for qualified medical expenses, for Medicare premiums for Parts B and D coverage, as well as for long-term care (LTC) insurance premiums. It is important to note that 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 and/or become eligible for Medicare. If you are 65 and eligible for Medicare, you also have the option to waive all Medicare, including the free Part A, if you would like to participate in the HSA. However, you need to actively do this with the Social Security Administration.

Do I have to keep records regarding funds used from my HSA?

Yes, you need to keep complete records so you can show the IRS that you have used the money in your account to pay for qualified medical expenses in the event of an audit. You should keep a record of all deposits and expenses, save all receipts, and keep everything together in once place.

What happens if I contributed too much money to my HSA?

A 6% penalty will apply to any amount in your Health Savings Account that exceeds the annual contribution limit. The penalty can be avoided if the excess contributions are withdrawn before you file your income tax return (the following April 15th).

Are HSAs taxable in some states?

Yes, while HSAs offer federal tax advantages, some states have their own rules regarding HSA taxation. In CA and NJ, contributions are not deductible for state income tax purposes (they are taxed), and employer contributions are also treated as taxable income for state tax purposes. In addition, HSA interest, dividends, and capital gains are subject to state taxes. NH and TN taxes dividend and interest income from HSAs if it exceeds certain thresholds and if you make a taxable withdrawal from your account. This is by no means a comprehensive list as state rules are always changing. Therefore, it is important to consult with your tax adviser to determine the specific HSA treatment in the state where you reside to ensure compliance with all regulations.

I want to enroll in the Advantage HDHP plan but I am not eligible for the HSA plan per the eligibility rules. What are my options?

You can still enroll in the HDHP plan if you are not eligible for the HSA. The HSA is a separate election so you would not elect the HSA plan or receive the Magna contributions. If you are interested in electing a pre-tax spending account, you may still be eligible to contribute to the Healthcare Flexible Spending Account (FSA). You also have the option to enroll in the HDHP with no separate spending account.

I do not currently have a US SSN but am in the process of obtaining one, can I elect the HSA while I wait to be issued one?

No. You are only eligible to elect and participate in the HSA if you are enrolled in the Advantage HDHP and when you have been issued a valid SSN. Once issued, please provide HR with your social security card so they can update Workday accordingly and then you may elect and participate in the HSA.

Resources

Qualified Medical Expenses for HSAs and Eligibility & Contribution Rules:

www.irs.gov/publications

/p502/

www.irs.gov/publications/

p969/ar02.html
www.wexinc.com

BCBSM Medical Cost Estimators:
www.bcbsm.com

Click 'Login' and log in to the member portal Go to
‘Find Care’ Navigate to ‘Programs & Tools’
Select ‘Estimate Your Cost’
Rx Pricing Cost Comparison:
www.goodrx.com
www.pharmacychecker.com

Forward.
For all.