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HEALTH SAVINGS ACCOUNTS

frequently asked questions | 2025



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1. What is a Health Savings Account Health Plan and how do I enroll?

A Health Savings Account, or HSA, is an alternative way to pay for uncovered health insurance expenses. It offers you a different way to pay for health care. HSAs allow you to pay for current health expenses and save for future qualified medical expenses on a tax-free basis. In order to take advantage of an HSA, you must be covered by a qualified High Deductible Health Plan (HDHP).

To receive a quote and enroll in an HSA health plan, call MDA Insurance at 877-906-9924 or visit the Health Insurance portion of mdaprograms.com.

A qualified HDHP is an insurance plan that operates differently than a traditional medical plan in that no benefits are paid until the plan's deductible is met, except for certain qualified preventive care. The HDHP must meet both minimum deductibles and maximum out-of-pocket statutory amounts to qualify. These minimums and maximums are adjusted on an annual basis. See below.

2025	Deductible Minimum	Out-of-Pocket Maximum
Single Coverage	\$1,650	\$8,300
Family Coverage	\$3,300	\$16,600

2. Where do I get my savings account?

Dental practices may use Alerus, endorsed by the MDA, to set up a Section 125 plan and administer health savings account for employees. Businesses should contact Paula Ellermann at paula.ellermann@alerus.com or call her at 303-481-1577 for more information. If the employer does not have an HSA administrator, individuals may set up an HSA with their own financial institution, such as a bank or credit union.

3. Who is eligible for an HSA?

Any individual who is covered by an HDHP, not covered by other health insurance, not enrolled in Medicare and who cannot be claimed on someone else's tax return. Having coverage in a dental, vision, disability or long-term care plan does not prevent you from participating in an HSA.

4. Can I have a Flexible Spending Account and still have an HSA?

You can have an FSA only under certain circumstances. Your FSA must be a limited-purpose FSA and only permit coverage for dental, vision or preventative care, or dependent care.

5. Do I need an HDHP to get an HSA?

Yes, you must first participate in an HDHP to qualify for an HSA.

6. Can I have an HSA after I qualify for Medicare?

You are not eligible to contribute to an HSA after you have enrolled in Medicare, however, if you participated in one before you enrolled in Medicare, you can keep it and draw from it. No additional contributions may be made after you enroll in Medicare.

7. My spouse has a Flexible Spending Account through his/her employer. Can I still have an HSA?

You cannot have an HSA if your spouse has a FSA that can pay for any of your medical expenses before your HDHP deductible is met.

8. Does my income affect my HSA?

There are no income limits that affect HSAs.

9. I'm a single parent with HDHP coverage, but have a child who can be claimed as a dependent for tax purposes, and this dependent also has non-HDHP coverage. Am I still eligible for an HSA?

Yes, you are still eligible for an HSA. Your dependent's non-HDHP coverage does not affect your eligibility.

10. How much can I contribute to my HSA each year?

For the year 2025, your maximum HSA contribution is based on the statutory limit for your type of coverage. If you are 55 or older, you may also make additional "catch-up" contributions.

Single Coverage:	\$4,300
Family Coverage:	\$8,550
55 and older:	\$1,000

11. Do my HSA contributions have to be made in equal amounts each month?

No, you can contribute in a lump sum or at any frequency you wish.

12. Does my contribution depend on when I established my HSA account or when my coverage begins?

Your eligibility to contribute to an HSA is determined by the effective date of your HDHP coverage. Your annual contribution depends on your HDHP coverage. If you are not covered on Dec. 1, your contribution depends on the number of months of HDHP coverage you have during the year (technically, the months when you have HDHP coverage on the first day of the month).

If you are covered on Dec. 1, 2025, you are treated as an eligible individual for the entire 2025 year. However, if you cease to be an eligible individual during 2026, the excess over the pro-rated contribution is included in income and subject to additional tax. The amount you can contribute is not determined by the date you establish your account. However, medical expenses incurred before the date your HSA is established cannot be reimbursed from the account.

13. Can an employer contribute to an employee's HSA account?

Yes, both the employee and employer can contribute to the employee's HSA account as long as the maximum eligible contribution is not exceeded. Otherwise, excess contribution penalties will apply.

14. Is an employer contribution taxable to the employee?

No, it is not subject to income tax.

15. Do my contributions provide any tax benefits?

Yes, you get three tax benefits. Your personal contributions offer you an above-the-line deduction. This allows you to reduce your taxable income by the amount you contribute to your HSA. You do not have to itemize your deductions to receive this benefit. The money you contribute to your HSA grows tax-free and when you withdraw funds, they are not taxed as income.

16. What is the contribution deadline for funding an HSA?

Calendar-year tax payers have until April 15 the year following that in which the HSA was established to fund it for the previous year. If you establish an HSA on Jan. 1, 2025, you have until April 15, 2026, to fund the account. You may contribute funds at any time during the year, in any amount you wish, up to the annual funding limit established by the government.

17. If I'm over 55 and want to make catch-up contributions, how much can I make?

The additional allowed catch-up contribution is \$1,000 per year.

18. If both spouses are 55, can both spouses make a catch-up contribution?

Yes, if both spouses are eligible individuals and each spouse has established an HSA in his or her name. If only one spouse has an HSA, then only that spouse can make the catch-up contribution.

19. 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). However, some expenses do not qualify. A few examples are:

- Surgery for purely cosmetic reasons.
- Health club dues.
- Illegal operations or treatment.
- Maternity clothes.
- Toothpaste, toiletries, and cosmetics.

See IRS Publications 502 (Medical and Dental Expenses) and 969 (Health Savings Accounts and Other Tax-Favored Health Plans) for more information.

20. Can my HSA be used to pay premiums?

No, this would be a non-medical withdrawal, subject to taxes and penalty. There are some exceptions. No penalty or taxes will apply if money is withdrawn to pay premiums for:

- Qualified long-term care insurance.
- Health insurance while you are receiving federal or state unemployment compensation.
- Continuation of coverage plans, like COBRA, required under federal law.
- Medicare premiums.

21. Who decides whether the money that is spent from an HSA is for a qualified medical expense?

The HSA/HDHP policyholder is responsible for making that determination. The account holder should also keep paper receipts for each transaction.

22. What happens if I use my HSA money for something other than a medical expense?

If the money is used for other than qualified medical expenses, the expenditure will be taxed and, for individuals not disabled or over 65, subject to a 20% penalty tax.

23. Are dental and vision care qualified medical expenses under a health savings account?

Yes, as long as they are deductible under current tax rules.

24. Can I use my HSA money to pay for medical expenses for a family member?

Yes, you can use your HSA to pay for qualified medical expenses for yourself, your spouse and dependents without tax liability.

25. What happens to the money in my HSA if I lose my HDHP coverage?

Any funds deposited into your HSA are yours and will roll over from year to year. You may continue to use the funds for qualified medical expenses. If you are covered by an HDHP for only part of a year, that annual contribution must be reduced by 1/12 for each month that you are not covered by the HDHP. Otherwise, you may be subject to taxes and penalties.

26. Do unused funds roll over from year to year?

Yes, unused funds automatically roll over from year to year.

27. What happens to my account after I turn 65?

You can continue to use the HSA to pay for any qualified medical expense. After you enroll in Medicare, no new money can be deposited. The money can be used to pay for Medicare premiums, deductibles and co-pays. You can also use the funds to pay for your portion of the premium if your employer is providing you with retiree health benefits. However, you may not use the funds to purchase supplementary or "Medigap" insurance. HSA funds can be used for non-qualified expenses without penalty after age 65. Only income tax will be assessed.

28. Who has control over the money invested in the HSA?

The account holder makes all decisions on how to use the funds or how they are invested.

29. How can the HSA funds be invested?

The funds can be invested into any investment allowed for Individual Retirement Accounts.

30. Can couples establish a "joint" account and both make contributions to the account?

No. Joint accounts are not permitted.

31. What happens to my HSA when I die?

If you are married and your spouse is your beneficiary, your spouse becomes the owner of the HSA. Otherwise, the account ceases to be treated as an HSA effective on the date of death. Your heirs will be subject to any applicable taxes.

32. Tax Dependent v. Non-Tax Dependent Child

If the adult child is not a tax dependent for the member (parent/primary account holder) then the adult child would have to establish his or her own HSA.

- When the child is still a tax dependent (up to age 19 or, if full-time student, age 24), then the child's out-of-pocket medical expenses can be paid with the primary account holder's HSA. In other words, the parent can use their own HSA to pay for the child's medical expenses.
- When the child is no longer a tax dependent but is on the parent's HDHP (through age 26), then the child's out-of-pocket medical expenses cannot be paid with the primary account holder's HSA. In other words, the adult child would set up his or her own HSA to pay for eligible medical expenses.



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