FAQ Guardians HDHP & HSA

Can I enroll in the HSA if I am eligible for Medicare?

You can enroll in the HDHP and open an HSA bank account if you are ***eligible*** for Medicare, but **defer** your Medicare enrollment. You are **NOT eligible** for the HSA bank account if you are enrolled in any part of Medicare.

Can I have an HSA with the Guardians while my spouse has an HSA with their employer?

Yes, you can each have your own Health Savings Account (HSA), but there are some important rules to keep in mind:

- If both you and your spouse are covered under separate HDHP's, you are both eligible to have HSA's.
- If both you and your spouse have HSA's your combined contributions cannot exceed the family limit. But you can split the amount between your two HSA's however you wish.
- Each spouse will own their HSA individually, there are no "joint" HSA's.

If I leave the Cleveland Guardians, what happens to my HSA?

HSA bank accounts are your personal accounts, and if you seek employment elsewhere the account will be yours to take with you. Any deposits made into the account will always be yours. Banking relationships could change, watch for any bank fees once the account is no longer tied to your employer's health care plan.

If I want to enroll in the HSA, what are my responsibilities?

You must open your own HSA bank account. These accounts are not unlike any other banking account you own, and your personal information verification under the Patriot Act is required for enrollment. Once the account is opened, the full responsibility for managing your expenses fall to you as the member.

Can I enroll in both the HSA and FSA?

No, you cannot have an HSA bank account and a traditional HealthCare FSA account. If you have any funds that could roll over from 2026 into the 2027 plan year, you must exhaust all of those funds before you are eligible to open an HSA bank account. You can however, have a Dependent Care Account as those funds have different uses than the Medical Accounts.

Can HSA funds be used for dependent expenses? And is age 26 the maximum age for a dependent on the HSA?

You can use your HSA for qualified medical expenses of:

- Yourself (the account holder)
- Your spouse (regardless of whether they're covered under your HDHP)
- Your dependents (as defined by the IRS for tax purposes)

If you claim someone as a tax dependent, their eligible expenses can be paid tax-free from your HSA – even if they are not covered by your HDHP.

Age limits for dependents is a bit different for HSA's versus HDHP since the HSA rules follow IRS dependent rules NOT insurance rules:

This means:

- If your child is under **age 19** (or under **age 24** if a full-time student) and you claim them as a dependent on your tax return, you can use your HSA for their expenses.
- If your child is **over 24** but you still claim them as a dependent (for example, due to disability), their expenses are also eligible.
- If your child is over 26 and not your tax dependent, you cannot use your HSA for their expenses.

If a person with an HSA dies, what happens to the funds?

You can name a beneficiary of your HSA funds, but who they are left to determines the ongoing HSA eligibility:

Spouse as Beneficiary

- If the **spouse is named as the beneficiary**, the HSA **becomes their HSA**.
- They can continue to use the funds tax-free for qualified medical expenses.
- This is the only scenario where the HSA keeps its special tax-advantaged status.

Non-Spouse Beneficiary

- If the beneficiary is **anyone other than the spouse** (child, relative, estate, etc.):
    - The HSA **ceases to be an HSA** on the date of death.
    - The entire account balance is **taxable income** to the beneficiary in the year received.
    - Example: If a child inherits a $20,000 HSA, that $20,000 is added to their taxable income for that year.

No Beneficiary Named

- If no beneficiary is designated, the funds typically go to the **estate** of the deceased.
- The HSA is included in the decedent's final income tax return as taxable income.

What are the tax savings on an HSA? And what do I need to do differently when I file my taxes?

Triple Tax Savings:

Contributions are tax-free

- Payroll contributions through your employer are pre-tax (not subject to federal income tax or Social Security/Medicare tax).
- If you contribute directly, you can deduct them from your taxable income when you file your return.

Growth is tax-free

- Interest and investment earnings in the HSA aren't taxed while in the account.

Withdrawals are tax-free

- As long as funds are used for **qualified medical expenses** (yours, your spouse's, or your dependents'), you never pay tax on those withdrawals.

Tax Reporting:

Here's what changes when you file your taxes:

Form 1099-SA

- You'll get this if you made withdrawals. It reports distributions from your HSA.
- You'll need to show that they were for qualified medical expenses to keep them tax-free.

Form 5498-SA

- Shows how much you (and your employer) contributed. Usually sent in May for your records — no need to file it.

Form 8889 (key form)

- You must file **Form 8889** with your 1040 if you (or anyone on your behalf, like your employer) contributed to your HSA OR you took money out.
- It reports:
    - Contributions
    - Distributions

- Whether you stayed within IRS limits
- Whether you owe taxes or penalties (if you used funds for non-qualified expenses)

Keep receipts

- The IRS doesn't require you to submit receipts when you file, but you must keep them in case of audit to prove withdrawals were for qualified expenses.

Do I still need to use in-network providers if I change to the HDHP and HSA?

YES! The HDHP is just a new plan design offered with Medical Mutual of Ohio. The plan still has in and out of network benefits and requirements. This new HDHP does not change how MMO manages our plans, just how they pay for the claims.

Can a domestic partner be a dependent on my HSA?

HSA eligibility for expenses is tied to IRS tax dependent status, not who's covered under your health insurance.

Domestic Partner Scenario:

- If your domestic partner does not qualify as your IRS tax dependent, you cannot use your HSA funds for their medical expenses tax-free — even if they're on your health insurance plan.
- If you do use HSA funds for a partner who isn't your dependent:
  - The withdrawal is subject to income tax.
  - If you're under age 65, there's also a 20% penalty.

How does the investment component of the HSA plan work?

How the Investment Feature Works

- Once your HSA balance reaches a certain threshold (as determined by MMO's banking partner), you can move funds from the **cash portion** into **investment options**.
- Investment choices usually resemble a 401(k) or IRA menu:
  - Mutual funds
  - Index funds
  - ETFs
  - Sometimes individual stocks (depends on provider)

How often can I make contribution to my HSA?

You can make contributions through a pre-tax deduction from your paycheck and this can be adjusted a few time throughout the year.

You can also make contributions, on your own through post-tax dollars, at any time directly through the HSA banking partner. These contributions will be noted on a tax form at the end of the year so that you can take an above the line tax deduction to still obtain the tax advantage for these deposits.