

# HSA

## ADDITIONAL INFORMATION

Employees who enroll in their Bates' High Deductible Health Plan (HDHP) may be eligible to enroll in a Health Savings Account (HSA). HSAs are individually owned bank accounts that are regulated by the Internal Revenue Service, so it's important to be familiar with those rules regarding who is eligible, how much you may contribute, and what HSA funds can be used for.



### WHO IS ELIGIBLE TO CONTRIBUTE TO AN HSA?

#### HSA ELIGIBILITY RULES INCLUDE THESE BASICS:

- ▶ **You must be enrolled in an IRS-qualified HDHP.** For 2026, this means that the HDHP must have:
  - A minimum in-network deductible of \$1,700 for employees with single coverage; and \$3,400 for those enrolled with dependent(s)
  - A maximum in-network out-of-pocket limit of \$8,500 for employees with single coverage; and \$17,000 for those enrolled with dependent(s)
  - A plan deductible that applies to all eligible expenses, with the exception of preventive care services (e.g., annual routine physical)
  - 100% coverage for in-network preventive care services
- ▶ **You may not be a dependent on someone else's federal tax return**
- ▶ **You may not be enrolled in any impermissible coverage.** This includes the following:
  - Medicaid or Medicare (any part of Medicare, including A, B, C or D)
  - TRICARE
  - Any other employer-sponsored coverage, such as a plan through your spouse's employer, which is not an HDHP
  - A Health Care Flexible Spending Account through your or your spouse's employer. This includes:
    - » An FSA grace period which extends the Health Care FSA coverage period, unless the FSA balance at the end of the prior plan year is zero
    - » Any FSA carryover balance that was funded from a prior year. In this situation the FSA carryover balance prevents you from being HSA eligible until the following plan year (unless that balance carries over again to a subsequent year)
  - Health Reimbursement Arrangement (HRA); however, a Post-Deductible HRA is permitted, as is a Retirement HRA
  - Medical benefits through the Department of Veterans Affairs during the preceding three (3) months (NOTE - Veterans enrolled in an HDHP, with no other disqualifying coverage, and who have a service-connected disability may make or receive HSA contributions regardless of when they received VA benefits)

## HOW MUCH CAN YOU CONTRIBUTE TO AN HSA?

The IRS sets the HSA contributions limits every year, and they differ depending on whether you have dependents enrolled in the HDHP. For 2026, the maximum that may be contributed to your HSA is:

- ▶ **Employee Only: \$4,400**
- ▶ **Employee + Dependent(s): \$8,750**

If you are age 55 or older, you may contribute up to an additional \$1,000 in 2026. This is known as a catch-up contribution.

These annual contribution limits include any amount Bates contributes to your HSA.

Your HSA contributions are tax-advantaged, meaning that they are not subject to federal (and most state) income taxes. If you contribute to your HSA via payroll deductions, your contributions will be made on a pre-tax basis. For HSA contributions made outside of payroll deductions (for example, you mail a check to your HSA bank to make a deposit), report this deposit when filing your tax return to get the tax advantage.



## HOW CAN YOU SPEND YOUR HSA FUNDS?

HSA funds can be used to pay for out-of-pocket medical expenses (those expenses not paid by insurance, such as deductibles, copays or coinsurance) for the account holder and their eligible tax dependents. Family members not recognized as a tax dependent by the IRS, such as domestic partners and children over the IRS age limit for tax dependency, are not eligible to access your HSA account for their expenses. However, they may be eligible to open a separate HSA in their own name with the bank of their choosing.

Eligible expenses include:

- ▶ Medical expenses, including deductible, copays and coinsurance
- ▶ Prescription drug copays
- ▶ Long term care & Medicare insurance premiums (*not Medigap*)
- ▶ Retiree health expenses
- ▶ Dental expenses
- ▶ Vision expenses
- ▶ Over the counter medications

Inspira provides you with a debit card to use to access your HSA funds. You may only access the amount that is available in your account.

It is important to keep your receipts for any expenses paid from your HSA. While Inspira will not ask you to provide proof of purchase, in the event of an IRS audit you will be required to provide this documentation.

Provided you use your HSA funds to pay for eligible health care expenses, these expenditures are not taxable.

## IMPORTANT REMINDERS

- ▶ There is no “use it or lose it” provision with an HSA. Any account balance rolls over year after year – think of your HSA as a checking account for your health care expenses.
- ▶ Inspira provides an option to invest your HSA funds, once your account balance exceeds a certain threshold. Any investment/interest earnings are not subject to federal (and most state) income taxes. Bank fees may apply for those who choose to invest HSA funds.
- ▶ When using HSA funds to pay for qualified expenses, payments are made from the “cash” (non-invested) HSA funds. If expenses exceed the amount available in this account, you may need to transfer invested HSA funds into the cash HSA account to cover those expenses.