Frequently Asked Questions about Health Savings Accounts (HSAs):

What is a Health Savings Account (HSA)?	A Health Savings Account (HSA) is a special tax-advantaged savings account similar to a traditional Individual Retirement Account (IRA) but designated specifically to pay for qualified medical expenses. An HSA allows individuals to pay for current qualified health care expenses and save for future qualified medical and retiree health care expenses on a tax-favored basis. HSAs provide triple-tax advantages: contributions, investment earnings, and qualified distributions all are exempt from federal income tax, FICA (Social Security and Medicare) tax, and state income taxes (for most states). Three states (Alabama, California, and New Jersey) do not currently conform to the federal tax provisions on taxation of HSAs. Check with your tax advisor regarding the taxability of your contributions if you live in one of these states. Unused HSA dollars roll over from year to year, making HSAs a convenient and easy way for individuals to save for future medical expenses. HSAs are individually owned accounts, so account holders can take their HSA with them when they change medical plans, change jobs, or retire. This means the funds in the account are non-forfeitable and portable. Funds in the account not needed for near-term expenses may be invested, providing the opportunity for funds to grow. Investment options include money market accounts, mutual funds, etc.
Who can open an HSA?	You **must** be an "eligible individual" to establish an HSA. Eligible individuals: • Must be covered by an HSA eligible medical plan as defined by the IRS; • Cannot be covered by any medical plan that is not an HSA eligible medical plan (dental and vision plans are not included in this restriction); • Cannot be enrolled in Medicare; and • Cannot be claimed as a dependent on another individual's tax return (does not include your spouse).
My spouse is contributing to a health FSA that reimburses expenses before the deductible is met. Can I make contributions to my HSA if I participate in a qualified HSA eligible plan?	No. If your spouse is enrolled in a Medical Reimbursement Flexible Spending Account or an HRA through his/her employer, and that plan allows for your medical expenses to be reimbursed through it, then you are not eligible to contribute to an HSA account.

What is first-dollar coverage?	First-dollar coverage means expenses that you pay a copay for or get reimbursed for through an FSA account or HRA. This includes FSA or HRA accounts your spouse may be enrolled in.
	
	First-dollar reimbursements for covered expenses from the following may make you **<u>ineligible</u>** to contribute to an HSA account:
	
	• Medicare
	• Medicaid
	• Medical Reimbursement Flexible Spending Accounts (FSA)
	• Coverage under a spouse's plan, including:
	  ■ Low-deductible insurance coverage
	  ■ FSA or HRA through spouse's employer
	  ■ Medical plan through spouse's employer with copays (PPO, POS, or HMO plans)

What constitutes a HSA eligible plan?	**For 2025, HSA eligible plans, as defined by the IRS, must meet the following minimum annual deductibles:** • $1,650 for individual coverage and $3,300 for family coverage. **For 2025, maximum out-of-pocket expenses of:** • $8,300 for individual coverage and $16,600 for family coverage **For 2025, maximum contributions of:** • $4,300 for individual coverage and $8,550 for family coverage. • If you are age 55 or older you may contribute an additional $1,000 catch up contribution.
How does an HSA work?	An individual may use an HSA to help pay for qualified medical expenses covered under an HSA eligible plan as well as to pay for other common qualified medical expenses. Unused HSA funds can remain in an individual's account for use in future years and can be invested in a choice of investment options, providing the opportunity for funds to grow. The money deposited into an HSA by an individual is 100% tax-deductible up to the maximum annual contribution limit for federal income tax, FICA (Social Security and Medicare) tax, and in most states, state income tax. Four states (Alabama, California, and New Jersey) do not currently conform to the federal tax provisions on taxation of HSAs. Check with your tax advisor regarding the taxability of your contributions if you live in one of these states. • For the 2025 tax year, the maximum contribution is $4,300 for individuals and $8,550 for a family. **Individuals can use these tax-free dollars to pay for expenses covered under an HSA eligible plan until their deductible has been met. The insurance company pays covered medical expenses above the deductible, except for any coinsurance; individuals can pay coinsurance costs with tax-free money from their HSA. In addition, individuals can use tax-free HSA dollars for qualified medical expenses not covered by the medical plan, such as dental, vision, and alternative medicines.** **The funds in an HSA can be used for other, non-qualified expenses, but the dollars are subject to ordinary tax plus a 20% penalty if the individual is under age 65. The 20% penalty does not apply if the distribution occurs after an individual reaches age 65, becomes disabled, or dies; however, ordinary income tax may still apply.** Funds remaining in an HSA at year-end are rolled over for future health care expenses. Individuals may choose not to spend HSA dollars on small expenses, instead using after-tax dollars to meet these expenses and leaving HSA dollars in an investment account to grow for future needs. Choosing the expenses on which to spend HSA dollars and which to pay out-of-pocket with after-tax dollars is entirely up to the individual.

Does the IRS maximum contribution amount apply if I, or someone else on my behalf, contribute money to my HSA on a post-tax basis?	Yes, the IRS contribution maximum still applies. The contribution amount can only be the maximum for whichever coverage level a person is enrolled in.
How are HSAs funded?	Under the Colorado College plan the HSA is funded by employee contributions via payroll deduction if you elect to enroll. Our third-party vendor, Rocky Mountain Reserve (RMR), will be administering your account. You may also make deposits directly to your account. Personal deposits may be made periodically or in a lump sum. Payroll deductions will be made on a pre-tax deduction. If you make a deposit directly into your HSA account, this amount can be deducted on your income tax return, using IRS Form 1040 and Form 8889. You can stop, start or change your contributions at any time throughout the year. You can contribute up to the maximum allowed for the year at any time up until April 15th of the following year. If you want to contribute, you would deposit the money post-tax in to your HSA account and deduct off from your taxes.
How do I open an HSA?	You must first open (establish) your HSA account before funds may be deposited or withdrawn to pay for qualified medical expenses. During the 2025 Open Enrollment period, if you elect the HSA benefit, your account will automatically be set-up effective July 1, 2025 with RMR. Please note that u**ntil your account is open, any expenses incurred prior to this date cannot be paid from this account. In addition, you must have the funds available in your account to pay for qualified medical expenses.**
Do I receive a debit card to use?	Yes, you will receive an HSA card to use for your eligible expenses. You can also use your HSA card at an ATM to reimburse yourself for eligible expenses paid out-of-pocket. (A transaction fee may apply.) Please note that funds must be available in your RMR account to pay for eligible expenses.
How do I file expenses if I don't use my debit card?	You can pay for all or part of your qualified medical expenses and reimburse yourself later with HSA funds. You do not need to submit any receipts to RMR or file any claims. Just be sure to use the money for IRS-qualified medical/dental/vision expenses and save your receipts for tax purposes.
When will funds be available?	Funds become available in your account as they are deducted from your paycheck and deposited into your HSA Account.
Does Rocky Mountain Reserve (RMR) have a mobile app?	Yes. RMR Mobile is available on both Google Play (Android-powered devices) and the App Store (iPhone, iPad). **IMPORTANT NOTE: Before you can use the app, you must be registered on the Member Website www.rockymountainreserve.com.**
What happens to an HSA if an individual quits their job or otherwise leaves an employer?	An HSA is portable. This means that an individual can take their HSA with them when they leave their employer and continue to use the funds that remain. Funds left in an HSA continue to grow tax-free. If an individual is later covered by a qualified HSA eligible plan, they can resume making contributions to their HSA.

How do employees benefit from HSA?	**HSAs provide employees with multiple benefits.** **Specifically, HSAs are:** • **Triple Tax-advantaged**: Neither contributions, earnings nor withdrawals for qualified medical expenses are subject to federal or state tax (for most states). • **Portable:** Accounts move with the employee when he or she changes employers or retires. • **Savings mechanism for future health needs:** Unused contributions accumulate and can be "banked" for future medical expenses. • **Contributions can come from multiple sources:** Employers, employees and family members can all contribute to HSAs. (As an alternative to pre-tax payroll deductions, after-tax contributions to HSAs can be made through personal checks. Contributions can then be deducted when filing income taxes.)
What health care expenses does an HSA cover?	An individual's HSA funds can be used tax free to pay for out-of-pocket qualified medical expenses, even if the expenses are not covered by an HSA eligible plan. This includes expenses incurred by any member of the family (for those with family coverage). There are hundreds of qualified medical expenses, including: • Deductibles and coinsurance for medical and dental care; • Prescriptions; • Vision care, including glasses and LASIK eye surgery; • Smoking cessation treatment and prescriptions; • Chiropractic care; • Long-term care insurance premiums; • Cost of COBRA coverage • Post age-65 premiums for coverage other than Medigap or Medicare supplemental plans. • In addition, HSA funds may be used to pay Medicare Parts A and B premiums and employer-sponsored retiree plans. **Refer to IRS Publication 502 for a more complete list of qualified medical expenses.** All of these expenses may be paid for using HSA funds and are free from federal tax and state tax (for most states).
What happens to the money in an HSA after an individual reaches age 65?	Upon reaching age 65, HSA funds continue to be available without federal taxes or state tax (for most states) for qualified medical expenses. For example, an individual may use an HSA to pay certain insurance premiums, such as Medicare Parts A and B, Medicare HMO/Part C, or a share of retiree medical coverage offered by a former employer. However, funds cannot be used tax-free to purchase Medigap or Medicare supplemental policies. If an individual uses HSA funds for qualified medical expenses, the distributions from the account remain tax-free. If an individual uses the monies for non-qualified expenses, the distribution becomes taxable but is exempt from the 20% penalty.
If I am enrolled in Medicare or Medicaid can I contribute to an HSA?	If you are enrolled in Medicare Part A and/or B or Medicaid you can no longer contribute to an HSA. Medicare and Medicaid are considered first dollar coverage, meaning these plans will pay for services other than preventative before the deductible has been met. • If you have not enrolled in Medicare and getting close to your 65th birthday, you can defer your enrollment due to being in an employer's plan and you will not incur any penalty for deferring enrollment. Please talk to Social Security if you wish to defer enrollment. Please know your Medicare enrollment will be back-dated 6 months when you do choose to enroll.

So, why should you choose an HSA plan?	• **Empowerment**: Take control of your routine health care decisions—you get to choose the health care and providers that you want. • **Tax Savings**: You can deduct your qualified HSA withdrawals from your gross income on your federal tax return, even if you do not itemize deductions. • **Earned Interest**: Funds in your HSA grow with tax-deferred interest. • **Portability**: You own your account, so even if you change jobs, your HSA funds go with you. • **Reduced Insurance Premiums**: Your insurance premiums can be lower when you change from a low-deductible plan to a high-deductible plan. • **Long-Term Savings**: Because your funds can roll over from year to year, you can let the funds in your account grow tax-deferred. • **Retirement Bonus**: After age 65, you may make withdrawals from your HSA for any reason without the 20% penalty imposed before age 65 for non-medical withdrawals. (Note: you will still have to pay taxes on the money.) • **Safety Net**: There is no "use it or lose it" provision, so you can build up the savings in your HSA to use for major health events, • **Coverage for the Extras**: You can also use your HSA funds for programs not usually covered by other health plans, including dental, optical, and much more.
Can I Increase My HSA Election During the Year?	Maybe. The ability to make an increase depends on what the original election was and how much you have contributed when you request an increase in your contributions. This change can be made through the online enrollment system.
Can I Decrease My HSA Election During the Year?	Yes, you can choose to decrease or stop your contribution during the year. This change can be made through the online enrollment system.
Can I elect to Contribute Funds to an HSA Mid-Year?	If an employee is already on a HSA eligible plan, and only now going to enroll for the HSA to have deducted from their paycheck and they elect to have deducted only the statutory maximum amount per month, then the employee is fine. If the employee elects to do more than statutory max amount then two rules apply per IRS: 1. The individual must be HSA eligible during the last month of the year (December) and 2. The individual must remain HSA eligible during a 13 month "testing period" (December of the current year plus the next calendar year). The statutory amount is calculated by taking the single or family maximum and dividing it by 12 months or however many months they were eligible for the HSA during the year. If the employee elects more than that, then they have to stay on the HDHP as well as keep the HSA for December of 2025 and all of 2026 (the 12-month rule). Remaining HSA eligible, means remaining on an HSA eligible plan, but they do not necessarily have to contribute to their HSA.
My spouse and I work for the company. I have employee only coverage while my spouse has employee and children coverage. Can we both contribute the maximum amount allowed for each coverage level?	You and your spouse can only contribute the maximum family amount allowed $8,5500. Even if you file taxes separately but are both married, you can only contribute to the maximum family contribution allowed.
What if my spouse gains coverage through her employer and I elect to go on her plan?	If your spouse's plan is not an HSA compatible plan, then you can only contribute while you are on the College's HSA plan. You can still use any money you contributed while you were on the HSA plan through the College towards qualified medical claims without a penalty even if you are not in an eligible HSA plan any longer.

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<tr><td></td><td colspan="2"></td></tr>
<tr><td>Can my HSA be used for dependents not covered by the Company's health insurance?</td><td colspan="2">Yes, you can pay for qualified medical expenses for a tax-qualified spouse or dependent child.</td></tr>
<tr><td>Am I eligible to enroll in a Healthcare FSA account for 2025?</td><td colspan="2">No. Colorado College will only offer a full FSA, which includes reimbursement for medical/dental/vision claims. Enrolling in the FSA will make you ineligible for an HSA.</td></tr>
<tr><td>Can I contribute to an HSA if I am currently enrolled in the FSA?</td><td colspan="2">Because Colorado College's FSA includes the 2½ month grace period, you must either have a zero balance in your FSA as of 6/30/2025 for wait until 10/1/2025 to contribute.</td></tr>
<tr><td>Are there any fees associated with an HSA account?</td><td colspan="2">Yes, there will be a monthly fee of $2.75. The employee will pay the fee from their contributions.</td></tr>
<tr><td>How do I transfer funds from an existing HSA account to RMR?</td><td colspan="2">You can transfer funds from your current HSA account by completing a Transfer/Rollover form to RMR. The funds will be transferred by check from your current account to RMR and deposited into your RMR account. Please note, if you currently have funds invested, those will need to be sold so you only have a cash balance prior to rolling the funds into your RMR account.</td></tr>
<tr><td>How do I contact Rocky Mountain Reserve (RMR)</td><td colspan="2">You can reach RMR Customer Service at 888-722-1223 or www.rockymountainreserve.com.</td></tr>
<tr><td rowspan="3">Can I Open An HSA if My Spouse Has Medical Insurance Coverage Through Their Employer?</td><td colspan="2">An employee can only contribute to an HSA account if he/she remains eligible. To be eligible he/she cannot have coverage, or access to coverage that pays prior to the deductible being satisfied. The table below shows some examples of eligible and non-eligible plans.</td></tr>
<tr><td>CAN contribute to an HSA</td><td>Can <u>NOT</u> contribute to an HSA</td></tr>
<tr><td>Spouse is on an HSA compatible plan through their employer</td><td>Employee is covered by their spouse on a Medical plan that has first dollar coverage such as an HMO, POS, or PPO plan</td></tr>
<tr><td></td><td>Spouse is covered for single or Employee + Children coverage on a Medical plan that has first dollar coverage such as an HMO, POS, or PPO plan.</td><td>Employee or Spouse is enrolled in a Full FSA plan</td></tr>
<tr><td></td><td>Spouse does not enroll in a Full FSA plan</td><td>Employee is enrolled in Medicare or Medicaid</td></tr>
<tr><td></td><td>Spouse's FSA is a limited FSA plan or an FSA plan that excludes spouse claims (College Employee claims would not be eligible for reimbursement)</td><td>Employee has received services from the VA in the last 3 months</td></tr>
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