

Signal: A Practical Guide to Health Savings Accounts (HSAs)

Quick Takeaway

If you enroll in our High-Deductible Health Plan (HDHP), you may be eligible to open a Health Savings Account (HSA). This guide explains what that means for you and your family.

What is an HSA?

A Health Savings Account (HSA) is a personal bank account you use to pay for qualified medical expenses.

It has three major tax advantages:

- You don't pay taxes on money you put in
- Your balance can grow tax-free
- You don't pay taxes when you use it for qualified medical expenses

Even better the account belongs to you.

- The money rolls over every year
- It never expires
- You keep it if you change jobs or retire

How Does It Work?

To contribute to an HSA, you must be enrolled in a High-Deductible Health Plan (HDHP).

With an HDHP:

- You pay out-of-pocket until you meet your deductible
- After that, your insurance begins sharing costs
- You can use your HSA to help cover those expenses

Many people use their HSA to pay for:

- Doctor visits
- Prescriptions
- Lab work
- Dental and vision expenses
- Deductibles and copays

How Much Can I Contribute?

Always check with HR, as your district or city may have additional internal steps.

You can change your contribution during the year (subject to payroll timelines).

Contribution Limits

Coverage Type	2025	2026
Self-only	\$4,300	\$4,400
Family	\$8,550	\$8,750
Age 55 or older	\$1,000	\$1,000
	Catch-up	Catch-up

Why Consider an HSA?

An HSA can help you:

- Lower your taxable income
- Build savings for future medical costs
- Prepare for healthcare expenses in retirement
- Take greater control of your healthcare spending
- For many public employees, it is one of the most tax-advantaged savings tools available.

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Important for Employees Age 65+

- Once you enroll in Medicare, you can no longer contribute to an HSA.
- Important: Medicare Part A may be applied retroactively for up to 6 months.
- If you plan to enroll in Medicare, you should stop HSA contributions 6 months before applying to avoid tax penalties.
- You can still use your HSA funds after enrolling in Medicare, you just can't add new money.

Other Coverage that may Affect Eligibility

You may not be eligible to contribute if you:

- Participate in a general-purpose FSA
- Have certain types of secondary insurance
- Are covered under TRICARE
- Recently received certain VA or Indian Health Services benefits

If you are unsure, contact HR or a tax advisor.

What Happens If I Don't Use the Money?

Unlike a Flexible Spending Account (FSA), HSA funds:

- Roll over every year
- Continue growing
- Can be invested (depending on balance and provider)
- There is no "use it or lose it" rule.
- Many employees treat their HSA like a long-term savings account for healthcare in retirement.

What Happens at Retirement?

After age 65:

- You can use HSA funds for any purpose
- Non-medical withdrawals are taxed like regular income
- The 20% penalty no longer applies
- If used for qualified medical expenses, withdrawals remain tax-free at any age.

Important Eligibility Rules

You can contribute to an HSA if you:

- Are enrolled in our HDHP
- Are not enrolled in Medicare
- Are not claimed as someone else's tax dependent
- Do not have other disqualifying health coverage

What Happens if I Leave My Job?

- Your HSA is yours.
- If you leave employment:
 - You keep the account
 - You keep the money
 - You can continue using it for qualified medical expenses
 - You just cannot contribute unless enrolled in another qualified HDHP.

Can I Use It for Direct Primary Care?

Beginning in 2026, HSA funds may be used to pay for certain Direct Primary Care memberships:

- Up to \$150 per month (individual)
- Up to \$300 per month (family)

A Note About "Full-Year Rule"

- If you become eligible late in the year and contribute the full annual amount, you must stay eligible through the end of the following year.
- If you lose eligibility early, part of your contribution may become taxable and subject to a penalty.
- If you are unsure, HR can help explain this rule.

Who to Contact

Name: _____

Phone: _____

Email: _____