Health Savings Accounts - Beneficiary FAQs

It is important to name a beneficiary for your Health Savings Account (HSA), and to keep that information up to date.

- **How do I designate a beneficiary for my Health Savings Account?**

You may choose a beneficiary when you set up your HSA by logging into the HSA website through BenefitWallet and clicking on the "Beneficiaries" link.

- **Can I designate more than one beneficiary, and can I designate primary and contingent beneficiaries?**

You may designate one or more persons or entities as death beneficiary of your account (referred to as "Primary Beneficiaries") and you may also designate one or more persons to receive your account funds if no primary beneficiary survives you (referred to as "Contingent Beneficiaries"). Beneficiary designations can be made only online or through a form provided by BenefitWallet and will only be effective when filed during your lifetime. If you become deceased before you receive/use all of the funds in your account, payments from your account will be made according to your beneficiary designation(s).

- **What happens to my HSA when I die?**

Your HSA is an inheritable account. What happens to your HSA when you die depends on whom you named as your beneficiary?

Spouse designated beneficiary. If your spouse is your designated beneficiary, the account will be treated as your spouse's HSA after your death. The account will continue to be tax-free for qualified medical distributions. If your spouse is covered by a qualified HDHP, contributions to the account may also be made tax-free, up to maximum annual contribution limits.

Non-Spouse designated beneficiary. If you designate someone other than your spouse as the beneficiary of your HSA.

- The account stops being an HSA on the date of your death;
- The fair market value of the HSA becomes taxable to the beneficiary in the year in which you die (without penalties); and
- The amount taxable to a beneficiary (other than your estate) is reduced by any qualified medical expenses you incurred prior to your death that are paid from the HSA by the beneficiary within one year after the date of death.

Your estate is the beneficiary. If your estate is the beneficiary of your HSA, the value of your account is included on your final income tax return.

No designated beneficiary on file. If you do not designate a beneficiary or if all of the beneficiaries you have designated die before you, your account will be paid to your spouse if he or she is living or if your spouse is not living then your account will be paid to your estate.

Health Savings Accounts - FAQs Regarding Eligibility if Spouse is on Medicare

- **Can I enroll in the HSA if my spouse is on my health plan and is enrolled in Medicare?**

Eligibility to contribute to the HSA is based on the HSA account holder's eligibility (the employee is the HSA account holder). Therefore, the employee and spouse can both enroll in the QHDHP and the HSA contribution will be based on family coverage (since eligibility for the HSA contribution is based on the employee's eligibility to open the HSA account and not the spouses). The family deductible would need to be met before the plan would cover expenses. You CAN use your HSA funds to pay for your spouse's qualified medical expenses (the HSA funds cannot be used to pay for your spouse's Medicare premiums until the account holder turns age 65).

Health Savings Accounts - FAQs Regarding Separation of Employment

It is important to discuss what happens to your HSA account upon separation from service with Human Resources.

- **What happens to my HSA when I leave DeSales University?**

When you leave DeSales, you will keep your HSA card. The card does have an expiration fee but a new card is released again upon expiration as long as there are funds and the account is still active.

While actively employed with DeSales University, you do not pay an administration fee for your HSA account; the University pays this for you. However, upon separation with DeSales, if you decide to retain BenefitWallet as the administrator of your HSA account, you will be required to pay the fee established to have the account on your own. This is the case with any individual who opens an HSA with a bank. Currently, the fee for BenefitWallet is $3.50 per month. Benefit Wallet will waive this fee for you if your HSA account balance is over $1,000.

You retain the HSA account when separated from service and you can continue to utilize funds for qualifying expenses (or continue to save the funds). Also, you can only begin contributing to the HSA account again if/when you are covered by a qualified high deductible health plan.