TIAA Health Savings Account FAQs

Q. Is a High Deductible Health Plan (HDHP) right for you?

A. Consider your healthcare needs for the coming year and decide which of our health plans best meets your needs. One question to ask yourself is, how are you planning to pay for healthcare expenses in the coming year and in the future?

Q. What is a high deductible health plan?

A. A high deductible health plan (HDHP) is a type of health insurance plan that typically offers higher annual deductibles but with lower monthly premiums than traditional insurance plans. HDHPs offer preventive care with no out-of-pocket costs and set annual out-of-pocket maximums, which provide protection from large healthcare expenses. Using an HDHP with a health savings account (HSA) can be an effective way to pay and save for healthcare expenses now and in the future.

Q. What is a health savings account?

A. An HSA is a type of account available only if you are enrolled in an HDHP. It lets you set aside money on a pre-tax basis to pay for qualified medical expenses (QME). HSAs provide a triple tax advantage – contributions are made pre-tax, earnings accumulate tax-free and withdrawals for qualified medical expenses are tax-free. By using untaxed dollars in an HSA to pay for deductibles, copayments, coinsurance and other qualified medical expenses, you may be able to lower your overall health care costs. Also, the flexible spending account "use it or lose it" rule does not apply to an HSA. Whatever you do not spend carries over from year to year and can be invested in available mutual funds for longer-term growth potential.

HSA annual maximum contributions:

Visit the Talent and Culture website for the most updated information.

Q. I am an employee with a high deductible health plan who is Medicare eligible but not currently enrolled in Medicare. My spouse is Medicare eligible and has Medicare Part A. Can I contribute the family amount to the health savings account? Can I apply the funds put into the health savings account on claims for my Medicare spouse?

A. An individual's ability to contribute to an HSA account is determined individually by the health coverage that individual selects. Medicare coverage is not compatible with

HSA eligibility, but it is individual coverage. Therefore, if a spouse is covered by Medicare, that fact has no impact on the other spouse's ability to contribute to an HSA, since HSAs are individual trust accounts. The amount that can be contributed depends if the employee is under single or family coverage for the High Deductible Health Plan. In general, an individual can use the funds from their HSA to cover medical expenses of any family member who qualifies as your tax dependent. However, if the tax dependent isn't covered under your plan, then their expenses cannot be reimbursed from your HSA. For more information, reference https://www.irs.gov/pub/irs-drop/n-04-50.pdf

Q. I am an employee with a high deductible health plan who is Medicare eligible but not currently enrolled in Medicare. If I was going to retire September 30th (and pick up Medicare on October 1) can I contribute the full HSA family dollar amount the months of January and February and then not contribute to the health savings account the next 6 months before I retire (to avoid tax penalty)? Also, if I did incur a tax penalty because my contributions were not stopped less than 6 months before I retire, what is the tax penalty?

A. In general, an individual can contribute to their HSA until the month that individual is enrolled in Medicare, including the catch-up amount of $1,000. Also, an individual can change their HSA contribution amount at any time. Therefore, if the payroll system can accommodate the request to fund the HSA the first two months of the year, and there is enough income to do so, then a new agreement is submitted to stop the contribution thereafter, this may be feasible.

To avoid a tax penalty, you should make your last HSA contribution the month before your Part A coverage begins. Premium-free Part A coverage begins 6 months before the month you apply for Medicare, Social Security, but no earlier than the month you turn 65.

- If you apply for Medicare during your initial enrollment period (IEP) or during the 2 months after your IEP ends, you should make your last HSA contribution the month before you turn 65.
- If you wait to enroll in Medicare less than 6 months after you turn 65, you can avoid a tax penalty by stopping HSA contributions the month before you turn 65.
- If you wait to enroll in Medicare 6 or more months after you turn 65, you can avoid a tax penalty by stopping HSA contributions 6 months before the month you apply for Medicare.

Q. Will the $2 administration fee for TIAA be all encompassing? Or will there still be a second fee for the portion that I would be investing in the TIAA funds?

A. The $2.00 monthly administration fee is not all encompassing and will be automatically deducted from the account each month. Related to the mutual funds offered, the administrator of the TIAA HSA, HealthEquity, has no sales charges, trading fees, short term redemption fees or fund minimums to invest in the mutual funds. The only fees charged for investing in the mutual funds are:

- The mutual fund operating expense ratio charged by the mutual fund itself and is not controlled or influenced by HealthEquity Advisors, LLC or its affiliates, and:
- The Investment Administration Fee (0.36% annually, which is charged to the HSA cash balance as 0.03% per month times the average daily balance invested in the mutual funds), which is charged by HealthEquity up to a maximum of $10 per month. To calculate the total expense of investing in the mutual funds, you would add the fund operating expense ratio to the Investment Administration Fee.
  - For example, the TIAA-CREF S&P Index Institutional Share Class fund (TISPX) has a fund operating expense ratio of 0.05% annually. When combined with the Investment Administration Fee of 0.36% annually, this equals a total expense to the investor of 0.41% annually. This equates to $4.10 per year per $1,000 dollars invested in this example.

Q. If I transition to TIAA, how would that be viewed from a tax perspective? Would I have to "sell" my current provider investments and then transfer that entire amount over to TIAA?

A. To avoid taxation, you would need to request a "trustee to trustee" transfer from your current provider to the TIAA HSA administrator, HealthEquity. If it is not requested as a "trustee to trustee" transfer, then the transaction would be coded as a taxable event to you.

If you are investing in mutual funds, you will likely need to transfer the mutual funds to the cash account at your provider (also non-taxable), then liquidate the cash account via a "trustee to trustee" transfer.

To initiate the trustee-to-trustee transfer from your current provider to HealthEquity, use the TIAA Transfer Form. However, it is suggested that you not initiate the transfer until your new TIAA HSA is opened at HealthEquity and one to two payroll contributions have been applied. This will ensure that you always have access to your HSA funds as it can take a few weeks for your current provider to process the transfer to HealthEquity.

Q. What are the TIAA funds available for investment and their expense ratios?

A. View a summary of the funds available in the TIAA HSA, including their net expense ratios at https://www2.healthequity.com/tiaahsa/

Q. What if I already have a HealthEquity account through another employer and want to enroll through TIAA and/or combine my balances from my old account to my new TIAA account?

A. If you already have an existing HealthEquity account from another employer and choose to contribute to the account through WVU, HealthEquity will be able to merge your accounts together. Please let Benefits Strategy know if this is your situation so we can work with TIAA and HealthEquity to ensure your accounts are merged.

Q. How can I learn more?

A. Visit the TIAA Health Savings Account Resource Center, visit the Talent and Culture website, or contact WVU Benefits Strategy at centralba@mail.wvu.edu.