



HEALTH SAVINGS ACCOUNT

QUESTIONS & ANSWERS

At Bond, we know that some things have been left unclear as to how the new law will affect your HSAs. We're happy to help you through this transition, so here are answers to some questions you've been asking:

1. Does the new law eliminate HSAs?

No, the new health law does not eliminate HSAs and you can continue to use your HSA as you have – at least until the end of 2010.

2. What are the specific changes to HSAs in the new law?

Starting in 2011, the 10% penalty for non-eligible (non-medical) distributions is increased to 20% and you can no longer use your HSA for over-the-counter drugs.

3. Can I continue to contribute the same amount to my HSA?

The new law does not change the HSA contribution limits. However, new rules on the definition of what is a Qualified Health Plan could change your eligibility to contribute to an HSA in 2014 or later.

4. Can I still use my HSA for over-the-counter drugs?

Yes, for the rest of 2010. No. Starting January 1, 2011, over-the-counter drugs are no longer considered eligible medical expenses. This is your last year to buy aspirin, non-prescription cold medicine, contact lenses cleaner and other over-the-counter items tax-free, penalty-free with your HSA. Take advantage of the law this year.

5. I heard that FSAs are now limited to \$2,500, does that rule apply to HSAs?

No. The new law will limit Flexible Spending Accounts (FSAs) contributions to \$2,500 starting in 2013, but that new law does not apply to HSAs.

6. Did the non-qualified withdrawal penalty increase for HSAs?

Yes, the 10% penalty for using your HSA for non-eligible medical expenses will increase to 20% in 2011.

7. Will the law change my HSA in the future?

Other than items discussed, the new law does not directly change HSAs. Indirectly, however, the new law may eliminate the ability to make contributions in the future. Starting in 2014, the new law requires Americans to buy Qualified Health Insurance that offers an Essential Health Benefits Package. Your current High Deductible Health Plan (HDHP) required to be eligible to make a contribution to your HSA may not qualify as a Qualified Health Plan. In other words, you may have to buy different insurance in order to avoid taxes and penalties. Regulatory agency rulings and interpretations will provide more information on this point over the coming months.

8. What happens to my HSA balance in the case where I can no longer contribute new money?

You can continue to use any amounts in your HSA for eligible medical expenses or save it for later even if you are no longer eligible to contribute more to your HSA. This is important to know in case you do change plans to a non-HSA eligible plan to comply with the new law. The HSA remains one of the best tax favored options available. One good strategy is to accumulate assets now in the HSA to prepare for whatever happens.

9. Should I change anything based on the new law?

The new law is a foundational change to our health care and insurance system and mostly likely will impact everyone. For now; however, the combination of a High Deductible Health Plan and HSA remain very competitive and a good choice for many businesses and consumers.

10. How do I keep up on the changes as they take place?

We will send you additional information via email as we learn more.

*We'll focus on your benefits,
you focus on your business.*

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