



HSAs and Accessing VA and IHS Care

The rules around Health Savings Account (HSA) eligibility are simple on the surface but decidedly more complex when they involve certain federal government medical programs. In this paper, we travel to the intersection of HSAs and the Dept. of Veterans Affairs (VA) and Indian Health Services (IHS) to see how these programs impact individuals' HSA eligibility.

1. I'm eligible to receive care through the VA. Does this impact my HSA eligibility?

No. Merely being eligible to receive care at a VA facility doesn't impact your HSA eligibility.

2. What happens to my HSA eligibility if I receive care at a VA facility?

It depends on the care. Your HSA eligibility isn't impacted if you receive the following services at a VA facility:

- Select preventive care (see the US Preventive Services Task Force list of preventive services that receive a grade of A or B).
- Care for an injury, illness or condition that's service-related.

If you access care for any other services, you lose your HSA eligibility for three full months following the month that you receive care.

3. How does losing eligibility for three month impact my annual contribution to my HSA?

Depending on when you lose your eligibility during the year, you have two options:

- *Pro-rate your contribution* (available all year): You adjust your contributions so that you don't contribute more than 9/12 of the amount to which you're otherwise entitled. *Example:* You are under age 55 and covered on a family contract. You have your gall bladder removed at a VA facility July 3, 2017. You lose your HSA-eligibility for August, September and October. You can contribute 9/12 of the statutory maximum annual family contribution of \$6,750, or a total of \$5,062.50.

Use the Last-Month Rule to Increase Your Contribution (available only for dates of service between Jan. 1 and Aug. 31): The Last-Month Rule states that if you're HSA-eligible on Dec. 1, you can contribute up to the maximum contribution for your

contract type as long as you remain HSA-eligible through Dec. 31 of the following year. In the example above, because you regain your HSA eligibility Nov. 1, you can contribute up to the full \$6,750 statutory limit for 2017. You must remain HSA-eligible through the end of 2018 (the “testing period”). If you fail to remain HSA-eligible *through the testing period* (for any reason other than becoming disabled), any contribution in excess of the pro-rated amount is included in your taxable income. You’re also assessed a 10% additional tax.

4. When does it make sense to receive care through the VA and when doesn’t it?

Select preventive care is covered in full by medical insurance and the VA. Thus, you can receive care through either VA or commercial coverage. You decide where you want to receive care for a service-related disability, as receiving this care through the VA won’t affect your HSA eligibility.

For other care, you need to consider your assessment of the doctor and staff, your financial responsibility and timing. Understand that accessing VA care may impact your contribution limit that year and perhaps the following year (if your three-month loss of eligibility extends into the next calendar year). If the procedure is subject to a high deductible on your medical plan and you haven’t incurred deductible expenses that year, you may benefit from more generous VA financial coverage, even if you can’t make HSA contributions for the three months following your treatment.

5. I have access to care through the federal IHS program. Does receiving care at an IHS facility impact my ability to open and contribute to an HSA?

No. Being eligible to receive care through the IHS system doesn’t impact your HSA eligibility.

6. I received care through an IHS facility. How is my HSA eligibility impacted?

It depends on the nature of the care. Your HSA eligibility isn’t impacted if you receive only select preventive services. If you receive any care that diagnoses, mitigates or treats an injury, illness or conditions, you lose your HSA eligibility for three full months.

7. How does losing eligibility for three month impact my annual HSA contribution?

See Question 3 above for a discussion of your contribution options in this situation.

This information is accurate as of April 1, 2017. Please note that this discussion is for informational purposes only and is based on current regulations. It doesn’t represent, and shouldn’t be construed as a substitute for professional advice. Please consult your personal legal, financial or tax counsel to discuss your personal situation and refer to [IRS Publication 969](#).

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