HEALTH SAVINGS ACCOUNT FREQUENTLY ASKED QUESTIONS

What is a Health Savings Account ("HSA")?

A Health Savings Account is a tax-advantaged medical savings account available to taxpayers in the United States who are enrolled in a qualified High Deductible Health Plan (HDHP), such as VMware's HSA PPO Plan. HSAs enable you to pay for current health expenses and/or save for future qualified medical and retiree health expenses on a tax-free basis (federal tax free for all, state taxes apply in California, and New Jersey).

What is a "High Deductible Health Plan" (HDHP)?

A High Deductible Health Plan is a health plan that has a minimum annual deductible (determined yearly by the U.S. Treasury Department). It typically can be combined with a Health Savings Account. In order to qualify as an HSA-eligible plan, it must meet the statutory requirements for annual deductibles and out-of-pocket expenses.

The plan offered by VMware **(the UnitedHealthcare HSA PPO Plan)** qualifies as High Deductible Health Plan.

Why would I consider enrolling in the HSA PPO Plan if it has a high deductible?

By enrolling in a high deductible plan with an HSA, you can take advantage of tax savings on your health care costs. Enrolling in this plan costs you less in premium contributions compared to the Traditional PPO plan. If you contribute the difference in premiums into your HSA it can be used to pay your deductible, other out of pocket costs or saved for future health expenses in retirement. Think of it like a 401k for your health. In addition, preventive care is covered at 100% with no deductibles, coinsurance or co-pays when you use a network provider. Money in your HSA can also be used for qualified dental and vision expenses.

What are the benefits of contributing to an HSA?

An HSA is a triple tax advantage savings plan.

1. The first tax advantage is that any contribution you choose to make into the account from your paycheck will be deducted prior to taxes (pre-tax).
2. The balance that you carry in your HSA will accrue interest on a tax deferred basis, so you will pay no taxes from any growth in the account.
3. As long as the withdrawals from the account are for qualified expenses you will not be taxed when you withdraw the money.

What if a withdrawal was not for a 'qualified' expense?

Withdrawals for non-qualified expenses are treated very similarly to those in an IRA in that they do not provide tax advantages if taken after retirement age, and they incur penalties if taken earlier.

Who is eligible for an HSA?

You are eligible to establish and contribute to an HSA if you meet the following criteria:

- You must be enrolled in a qualified HDHP Plan.
- You cannot have coverage under any non-HDHP Plan that provides coverage for any benefit covered by the HDHP. However, your dependent can have non-HDHP coverage (as long as you are not enrolled in it) and that will NOT impact you from being HSA eligible.
- You cannot be claimed as a tax dependent of another individual. You cannot be enrolled in Medicare Part A, Part B, Part D or any other Medicare benefit.

What if I delay receiving Medicare when I am first eligible to fund my HSA?

According to the Medicare Rights Center, if you delay receiving Medicare when you first qualify, you must stop contributions to your HSA six months before you collect Social Security because your Medicare Part A coverage will be retroactive for up to six months. If you do not, you risk paying a penalty on the money you put into the account during that period. *If you choose to delay receiving Medicare we recommend you speak to your personal tax advisor to understand all of the implications this will have on your personal situation*.

What if one or all of my dependents have non-HDHP coverage (like a Traditional PPO, HMO or Medicare)? Can I still cover them under the HSA Plans?

You can still cover your dependents under the HSA Plans even if your dependents have other coverage. As the HSA “Accountholder”, you cannot be enrolled in a non-HDHP plan, but your dependents can.

I am covering my Domestic Partner under my medical plan. Can I still enroll in the HSA Plans?

Yes, you can be enrolled in the VMware HSA PPO plan with your Domestic Partner. VMware will contribute half of your plan’s deductible ($1,500) to your HSA just as if you were covering a spouse and you can contribute up to the IRS family maximum. However, you cannot use your HSA funds to pay for your domestic partner’s eligible medical expenses unless they are also your tax dependent under IRS Code 152.

Your domestic partner can, however, establish their own HSA. VMware does not contribute to your domestic partner’s HSA and cannot set one up with HealthEquity.

Does VMware contribute to my HSA?

VMware will contribute to the HSA for all eligible employees, the annual contribution amount can be found the HSA page of the benefits website. If you are enrolled in the plan on January 1 of the current year the VMware contribution is made as a lumpsum deposit into your HSA on the first payroll date in January. If you are hired or enroll in the plan at any point after **July 1, 2021** that you will receive the annual employer seed funding divided by 24 pay periods based on your effective date of coverage and coverage level. Paid interns are eligible to open and contribute to the HSA but are not eligible for a VMware contribution.

Since VMware contributes to my HSA, does that also provide me with any tax benefit?

Contributions to your HSA by VMware are not taxable to you as an employee (excluded from income and employment taxes). State taxes do apply for California, New Jersey and Alabama residents.

Is there a limit on how much can be contributed to an HSA?

Yes, the IRS sets a maximum contribution limit each year for employee only coverage and family coverage. If you are age 55 or over by December 31 of the current year you will be eligible to contribute an additional $1,000 that year.

These annual contribution limits apply regardless of whether the contributions are made by you or by VMware and regardless of whether your dependents have other coverage.

	Single Coverage	Family Coverage
2021 Limit	3,600	7,200
Age 55 and older	1,000	1,000

Is my contribution limit different if I enroll after January 1?

If you become eligible after January 1 you can pro-rate your contribution based on the number of months that you are HSA eligible. As long as you become eligible prior to December of the current year you can contribute the full annual maximum **IF** you will remain enrolled in a qualifying health plan through the next calendar year.

Does my income affect whether I can have an HSA?

There are no income limits that affect HSA eligibility.

My spouse has an FSA or HRA* through their employer, can I have an HSA?

No. You cannot have an HSA because your spouse's FSA or HRA can pay for any of your medical expenses. This is regardless of if you cover each other. VMware does not offer an HRA.

If both my spouse and I are 55 and older, can both of us make "catch-up contributions?

Yes, if you are both eligible individuals and both have established an HSA in each of your names then you may both make "catch-up" contributions. If only one individual has an HSA in their name, only that individual can make a "catch-up" contribution. Employees can contribute their additional $1,000 through VMware payroll deductions. Catch-up contributions for spouses of VMware employees need to be made directly to your spouse's HSA administrator.

Does tax filing status (joint vs. separate) affect my contribution?

Tax filing status does not affect your contribution.

Does an HSA pay for the same things that regular insurance pays for?

HSA funds can pay for any "qualified medical expense", even if the expense is not covered by the HSA Plan. For example, most health insurance does not cover the cost of over-the-counter medicines, but in certain circumstances you can use HSA funds. If the money from the HSA is used for qualified medical expenses, then the money spent is tax-free. Please see IRS Publication 502: Medical and Dental Expenses (Section 213(d)) by visiting www.irs.gov/publications/p502.

Can I use my HSA to pay for my dependent's health care expenses?

Yes, if they meet the definition of an eligible dependent (spouse, or child under the age of 24 and meet the definition of an eligible dependent). You can also include your Domestic Partner's expenses if they meet the definition of an IRS dependent.

What if my dependents have other coverage such as an HMO, PPO or Medicare?

You can still cover them under the HSA Plan, contribute up to the family maximum and use your HSA to pay for their expenses (as long as they meet the definition of an eligible dependent).

What if my dependents are not covered by the VMware HSA Plan?

You can still use your HSA to pay for your dependent's healthcare expenses even if they are not covered by an HDHP. Only you as the HSA account holder are required to have a HDHP in order to have an HSA. Your dependents can even becovered under another type of medical plan (an HMO or EPO for example) and you can still use your HSA to pay for their out-of-pocket medical expenses. Your annual contribution limit will be set based on your enrollment level in the qualifying medical plan (example: you enroll in the HSA PPO as an employee only, your contribution limit will be the individual amounteven if you use the money to pay for a dependents expenses)

What if my child no longer meets the definition of an IRS Code 151 Dependent?

If your child does not meet the definition, they can still be covered under the HSA Plan (because the medical plan allows you to cover your children up to age 26) but you cannot use your HSA to pay their out-of-pocket medical expenses. They can, however, open their own HSA provided they are covered under the HSA Plan or another qualified HDHP and otherwise meet the definition of an eligible individual.

I want my HSA dollars to go as far as possible. How can I find out how much a treatment or procedure is going to cost?

For UHC members, there are tools on myuhc.com like the myHealthcare Cost Estimator to help you make the best decision regarding your care. The myHealthcare Cost Estimator can help estimate the cost of treatments and other procedures based on your actual benefits, a specific doctor or hospital and your zip code.

Who is the Administrator of the HSA for VMware?

VMware's HSA Administrator for UHC members is Health Equity.

I have an HSA with another bank. Do I need to move it to HealthEquity?

You do not need to move the HSA funds from an outside bank to HealthEquity. However, VMware can only contribute to HealthEquity. If you want, you can transfer the funds from another HSA to your HealthEquity account. You can find a transfer form on the [HSA page] of the benefits website.

When can I receive distributions from my HSA?

You are permitted to receive distributions from your HSA at any time (assuming you have money in your account). However, there may be tax consequences and other penalties on the distributions if you do not use the funds for qualified medical expenses.

How are distributions from an HSA taxed?

Distributions from an HSA used exclusively to pay for the qualified medical expenses of you or your spouse or eligible dependents are generally excludable from gross income. The amount of your distribution not used exclusively for such qualified medical expenses is includable in your gross income and may be subject to an additional 20% premature distribution penalty tax on the amount that was not used for qualified medical expenses. This 20% penalty tax does not apply to distributions made after your death, disability or attainment of age 65. In addition, distributions made for expenses that are reimbursed by another health plan are includable in your gross income, whether or not the other health plan is a qualified HDHP.

Who determines whether HSA distributions are for qualified medical expenses?

You are responsible to make that determination. You are also solely responsible for maintaining adequate records for tax purposes and for paying any taxes and penalties which may result from any distribution. It is advisable to keep records of receipts, and Explanation of Benefit Statements for any eligible services if you are audited.

Are HSAs at risk of disappearing given healthcare reform?

Not at this time. There isn't anything in the current legislation that indicates HSAs are at risk.

Are dental and vision care considered "qualified medical expenses" for purposes of Health Savings Account?

Yes, many dental and vision care expenses are considered "qualified medical expenses." However, cosmetic procedures, like cosmetic dentistry, would not be considered a "qualified" medical expense." Please see IRS Publication 502: Medical and Dental Expenses (Section 213(d) by visiting www.irs.gov/publications/p502.

Can I use the money in my HSA to pay for medical care for a family member?

Yes, you may withdraw funds to pay for the qualified medical expenses of yourself, your spouse or a dependent without tax penalty. This is one of the great advantages of HSAs. Remember, you can only use the money in your HSA to pay for the healthcare expenses of a Domestic Partner if they also qualify as your tax dependent.

What happens to the money in a Health Savings Account after you turn age 65 and become eligible and enrolled in Medicare?

You can continue to use your account tax-free for out-of-pocket health expenses. When you enroll in Medicare, you can use your account to pay for Medicare premiums, deductibles, copays, and coinsurance under any part of Medicare. If you have retiree health benefits through your former employer, you can also use your account to pay for your share of retiree medical insurance premiums. You can also use it for things like COBRA premiums, Long Term Care premiums, etc. The one expense you cannot use your account for is to purchase a Medicare supplemental insurance or "Medigap" policy.

Once you turn age 65, you are no longer subject to a 20% penalty on withdrawals that are used for purposes other than qualified medical expenses. You would still have to pay income tax on the amount of these withdrawals. But this makes putting funds in an HSA better than an IRA.

What happens to the money in my HSA if I decide to leave VMware?

Your HSA belongs to you even if you leave VMware employment. There may be account fees that will become your responsibility. Please check with HealthEquity.

What happens to the balance in my HSA account if I am no longer a member in the HSA plans?

You own your HSA account and it goes with you should you change medical plans, retire or leave VMware for any reason.

Do the funds in an HSA earn any interest?

Yes, they do. The rate will vary depending on market conditions. These rates are set to be competitive with other banks for similar accounts. You are also able to make investments once your account balance is over $1,000. Review this guide for your options.

Are there any fees associated with having an HSA account?

Yes. However, while you are a VMware employee, those fees are paid by VMware. If you leave those fees will be your responsibility while your account is active.

Does the HSA have a debit card?

Yes, it does. You will receive a debit card that you can use to pay for eligible healthcare expenses for you and your eligible dependents. You can order additional debit cards for your dependents (as long as they are age 18 or older) at no additional charge.

What happens if I incur a claim at the beginning of the year and do not have any funds in my HSA?

You will be responsible for paying any expenses out-of-pocket if you do not yet have enough funds in your HSA to cover the expense. You can reimburse yourself from your HSA once funds become available. You may also consult with the provider or hospital. They may allow you to arrange a payment plan.

If I incur an eligible expense and do not use my HSA to pay for it now, may I do so at a later date?

Yes, you may pay for prior eligible expenses provided you had an HSA when the expense was incurred. You can upload all of your receipts to Health Equity’s mobile app for safekeeping and your use later.

If my spouse has a high deductible plan with another company and I enroll in an HSA Plan with VMware, what is the maximum we can contribute?

The contribution limit is a joint limit which is to be divided between the married couple, if both are HSA-eligible. So, if either spouse is HSA-eligible and has family HDHP coverage, the spouses' combined contribution limit is the annual statutory maximum amount for individuals with family HDHP coverage ($7,200 for 2021). For example, each spouse can contribute an equal portion of $3,600 totaling a combined annual HSA contribution for the year of $7,200. Additionally, if one person has individual coverage with another company and the VMware employee has family coverage, the maximum combined contribution is still $7,200. This is valid even if the accounts are separate. It is each person’s responsibility to not go over the maximum contribution.

If I enroll in one of the HSA plans and establish an HSA account, can I cover my spouse who has an FSA with another company?

No, the same family cannot be covered by an HSA and an FSA. If your spouse wants to keep the FSA, you cannot be enrolled in an HSA.

If I make a post-tax contribution into my VMware HSA account and sign up for the maximum employee VMware contribution through VMware, will my payroll contributions consider the post-tax contribution I made and stop my contributions, so I do not exceed the annual limit?

VMware would not be aware of any post-tax contributions you make into your HSA account. It is the responsibility of the HSA account holder to ensure that they do not exceed the annual maximum limit in any year. If this situation occurs, please contact the HSA administrator to receive a refund of the over contributed amount.

How do I increase or decrease my current HSA contribution?

You may change your HSA contribution at any time during the year going into Workday and completing a Change Benefits event for Change HSA. This will allow you to change your contribution or stop it by entering a $0 as the per paycheck amount.

If I start mid-year and elect to contribute to an HSA account, how will the pay period contributions be calculated?

Your contributions are divided by the number of pay periods remaining in the year. For example, if you elect to contribute August 1st, there are 10 pay periods remaining in the year. If you elect an annual contribution of $2,000, your contribution would be $200 per pay period ($2,000 / 10 pay periods). Additionally, if you elect to contribute $2,000 with 5 pay periods remaining in the year, your contribution will be $400 per pay period.