

HSA Requirements—2018

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Last week the IRS released the 2018 health savings account (HSA) annual contribution limits, as well as the corresponding high-deductible health plan (HDHP) deductible and out-of-pocket (OOP) maximum requirements, in IRS Rev. Proc. 2017-37—<https://www.irs.gov/pub/irs-drop/rp-17-37.pdf>. All amounts have increased slightly from those in place for 2017. Below are the updated dollar amounts and a summary of HSA-eligibility requirements.

2018 HSA ANNUAL CONTRIBUTION LIMITS

- Self-only (single) HDHP coverage = **\$3,450** (\$3,400 in 2017)
- Other than self-only (family) HDHP coverage = **\$6,900** (\$6,750 in 2017)

*Special rule for spouses—If one spouse has family coverage, both spouses are treated as having family coverage, but together they cannot exceed the annual family contribution amount. The contribution limit is divided equally unless the spouses agree on a different division.

**Catch-up contributions—HSA-eligible individuals who have reached age 55 by the end of the taxable year can make an annual \$1,000 extra catch-up contribution.

HSA ELIGIBILITY REQUIREMENTS

To be eligible to contribute to an HSA, an individual must be enrolled in a qualified HDHP and may not have any other “disqualifying coverage.” In addition, the individual cannot be claimed as a tax dependent by another individual.

Eligibility for an HDHP is different from eligibility to contribute to an HSA and will depend upon the plan eligibility rules. Therefore, while an individual must be enrolled in a qualifying HDHP to be eligible to contribute to an HSA, an individual who is ineligible to contribute to an HSA (e.g., enrolled in Medicare) could still enroll in an HDHP so long as the plan eligibility requirements are met.

Qualifying HDHP Coverage

Minimum deductible and maximum OOP requirements must be met.

- *Minimum Deductible*
 - 2018 = Single—**\$1,350** (\$1,300 in 2017); Family—**\$2,700** (\$2,600 in 2017)
 - If the family HDHP includes an embedded individual deductible, the embedded individual deductible must be at least the amount of the required minimum family deductible (\$2,700 in 2018). See Notice 2004-2 (Q&A #3)—https://www.irs.gov/irb/2004-02_IRB/ar09.html.
- *OOP Maximum*
 - 2018 = Single—**\$6,650** (\$6,550 in 2017); Family—**\$13,300** (\$13,100 in 2017)
 - The ACA’s OOP maximum on essential health benefits, which is different from the OOP maximums for HDHPs requires that any individual who meets the individual OOP maximum be reimbursed at 100% (an embedded individual OOP maximum). To comply with both sets

of requirements, those enrolled in family HDHP coverage must receive 100% coverage after reaching the individual OOP maximum for essential health benefits (\$7,350 in 2018).

Disqualifying Coverage

- *Health plans with a deductible or OOP maximum less than the HSA statutory minimum*
- *General-purpose health flexible spending accounts (health FSAs)*
Participation in a general-purpose health FSA disqualifies an individual from contributing to an HSA, whether the individual is eligible for reimbursement under his or her own employer's health FSA or that of a spouse. Ineligibility lasts until the end of the health FSA plan year, even if health FSA funds have been exhausted. Grace periods or carryovers may further extend ineligibility.
- *Health reimbursement account (HRA) reimbursing claims, other than for excepted benefits, below the HSA minimum deductible*
- *Medicare, Tricare, and Medicaid*
Individuals who are both eligible for and enrolled in ("entitled") to Medicare are ineligible to contribute to an HSA. Mere eligibility for Medicare will not affect HSA eligibility. A spouse's or dependent's Medicare entitlement does not affect an individual's ability to contribute to an HSA.
- *Indian health services (IHS)*
Receipt of medical services from an IHS facility during the previous three months will incur HSA ineligibility unless the medical services qualify as permitted coverage (e.g., dental and vision care) or preventive care (e.g., well-baby visits and immunizations).
- *Veterans Affairs (VA) coverage*
Individuals with a disability rating from the VA may receive VA medical benefits and still remain HSA eligible. However, individuals without a disability rating who have received medical benefits from the VA in the previous 3 months are ineligible to contribute to an HSA.

Any coverage available prior to meeting the HDHP deductible will generally result in HSA ineligibility, but there is an exception for preventive coverage. In addition, the following types of coverage are permitted and will not incur HSA ineligibility:

- Limited-purpose (e.g., limited-scope dental or vision) and post-deductible health FSAs and HRAs;
- Specific disease or hospital indemnity policies; and
- Most employee assistance programs (EAPs) and wellness programs.

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