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Health Savings Accounts (HSAs)

are personal financial accounts, like a checking account, but the money you put in can be tax-free. Your HSA can pay for medical, dental, vision and prescription health care expenses,



Helpful Tip

Any text in this document that is **light blue** contains a hyperlink.

HSA Basics

Tango Health and Your HSA

For many people, using an HSA can seem confusing. This guide will show that using an HSA is easy and it can help you save money. This document has a lot of information but there are always unique questions, so you shouldn't hesitate to contact us.

Email Tango Health at:
support@tangohealth.com

Call Customer Support at:
1.866.384.8549

Why Do HSAs Exist?

Congress created HSAs to encourage consumer saving for health care costs. Like retirement and 401(k)s, Congress created financial incentives for people to plan ahead. Furthermore, for the vast majority of services, consumers can decide where their money is spent. This is made possible through a higher deductible than traditional plans. In the end out-of-pocket cap and tax advantaged savings often result in lower health care costs for consumers.

What Are the Advantages of Using an HSA?

A Health Savings Account allows you to save money without paying taxes on the amount you save, the interest you earn on it or the amount you spend on qualified medical expenses. This can result in a large financial gain. Contributing the maximum amount allowed to your HSA can result in savings up to \$2,150 a year.

Using pre-tax dollars to pay for expenses reduces your taxable income. At the same time, premiums are usually lower for HSA-eligible High Deductible Health Plans than for traditional healthcare plans.

What does Tango Health do?

Tango Health is an HSA administrator. Tango Health provides an easy-to-use technology that helps users utilize their Health Savings Accounts.

Today, employees pay unnecessary taxes because eligible individuals fail to open and fully utilize their HSAs. Tango Health solves these issues with a number of innovative solutions:

- Easy reimbursements for eligible expenses not paid for with HSA money
- Online receipt storage
- Automated, online account opening process
- Five-star service line from HSA experts

How do I become eligible for an HSA?

The important test is whether or not you can contribute to an HSA. To contribute to an HSA, you must be covered by a High Deductible Health Plan (HDHP) on the first day of the month.

If you are enrolled in an HDHP, there may be a few circumstances that make you ineligible for an HSA.

While you may have an open HSA, you are only eligible to contribute to a Health Savings Account if you are **not**:

- Covered by another non-HDHP medical plan, such as your spouse's;
- Enrolled in Medicare;
- A veteran who has received any health benefits from the Department of Veterans Affairs within the last 3 months (unless the benefits consist solely of preventive care or the limited other coverage specifically allowed by law);
- Claimed as a dependent on another person's tax return; or
- Covered by a general purpose health care flexible spending account (FSA) or health reimbursement account (HRA). Alternative plan designs, such as a limited-purpose FSA or HRA, might be permitted;
- Covered under TRICARE.

Starting to Use Your HSA



Isaac Davis is opening an HSA

When Isaac signed up for the High Deductible Health Plan, he chose the option to open an HSA.

He next received an email notifying him that he could open his account by going to:

<https://hsa.tangohealth.com>

He clicked the link and started registration. Half way through, he received another email from Tango to confirm his email address. He clicked this link and went back to the Tango Health website. As the last step, he electronically signed his application and it was sent to the bank. His account opened the next morning.

How do I open an HSA?

Tango Health will guide you through this process. First, your employer will notify Tango Health that you are eligible to open an account. Next, you will either receive an email from Tango Health encouraging you to register online. Once you finish registration your account will be opened and ready for contributions.

How do I put money in my HSA?

In order to contribute money to your HSA *before* taxes it has to go through a Cafeteria Plan. This means you have to make payroll deductions. All contributions to your HSA through a Cafeteria Plan are not subject to payroll taxes and federal income taxes. They also will not be included in your taxable income. Furthermore, interest or earnings on the money can be tax free. HSAs that are not part of an employer sponsored plan often do not use a Cafeteria Plan. Contributions to HSAs outside a Cafeteria Plan *will not* avoid FICA taxes. Payroll taxes can be recovered at the end of the year when filing a return.

How much money can I contribute to my HSA?

Your contribution limit for any given year will depend upon when you become eligible, the type of insurance coverage you have and your age.

	Single Only	Family	Single Over 55	Family Over 55
2012	\$3,100	\$6,250	\$4,100	\$7,250

If you have questions about your contribution limit you can call an HSA expert at Tango Health or consult the [IRS Form 969](#). The chart above is a general guideline for contribution limits but the numbers are not accurate for all situations.

How much should I contribute to my HSA?

Fortunately, Tango Health’s software allows you flexibility when you contribute to your HSA. If you want to get the most from your HSA, you should contribute the maximum allowed each year. People that are **Savers** contribute the maximum allowed by law. They lower their taxable income, save payroll taxes, save income taxes and sometimes have tax free earnings from the savings in their account.

For many people this isn’t possible. People who are **Yearly Planners** often contribute the most they can each paycheck. This strategy allows them to build their HSA savings over time. They also lower their taxable income, save payroll taxes, save income taxes and sometimes have tax free earnings from their savings. Then when they have expenses they can easily use their HSA debit card to pay for them. Unlike Savers though, they don’t get all the possible tax savings.

Most people don’t think about their HSA until they have an expense. Tango Health’s patented Flex Reserve® makes this **Non-Planners** strategy easy. They can continue receiving the same amount as always in their paycheck, while also receiving a small tax advantage when they reimburse themselves for the eligible expenses they have.

When can I use my HSA?

Your Health Savings Account can be used to pay for qualified medical, dental, and vision expenses, including COBRA premiums, Medicare premiums (Part A, Part B, Part D), or Long Term Care insurance premiums.

These expenses can be incurred by a spouse or any tax dependent. It doesn't matter if your spouse or children are on your insurance.

What are qualified or eligible medical expenses?

IRS Publication 502 lists qualifying and non-qualifying expenses for tax deduction purposes which may be reimbursed (unless otherwise indicated) under most Health Savings Accounts. If you have any questions, contact us.

If you withdraw money from your Health Savings Account to use for other reasons, you will be subject to income tax on the amount of the withdrawal. In addition, you may be subject to an additional 20% penalty tax if you are under age 65. If you have done this you should consult a tax expert or call Tango Health.

Qualified Medical Expenses

- Doctor office visits
- Smoking cessation programs
- Dental care and braces
- Physical therapy
- Prescriptions
- Psychological counseling
- Prescriptions
- Birth control and vasectomy
- Chiropractor
- Transportation expenses
- Acupuncture
- Bandages and crutches
- Hearing aids
- Breast pump and nursing supplies
- Long-term care
- Glasses, contacts, LASIK surgery

Filing Your Taxes With An HSA



What do I need to do when I file my taxes?

If you have an HSA, the only extra step you need to take is to file [IRS Form 8889](#).

What might incur taxes on my HSA contributions?

Over-contributing to your HSA or using your HSA for non-eligible expenses will incur taxes. Also, in some states, HSA contributions and/or earnings are subject to state taxes.

At Tango Health we do our best to keep up with the changing tax laws. It is important to keep in mind though that this information could be out of date. It is best to consult a tax professional to determine your tax liability.

John Pickford's HSA Strategy

John is a Saver. When John signed up for an HSA he knew he could save a total of \$6,000 a year by contributing the maximum for his family plan. For his first six paychecks in 2011 he contributed \$1,000.

Before his fourth paycheck he lowered his contribution using Tango Health's website and contributed \$150, reaching his HSA contribution limit.

John saved 35% in taxes (\$2,152.50) on his contributions. He also invested the money in a mutual fund and continued to make earnings on it the entire year, tax-free.

John's long term plan is to contribute the maximum each year until he turns 65. When he turns 65 he can withdraw all of his HSA savings without penalty. The income tax he will pay will be much lower than his current income tax. He will also continue paying for medical expenses with his savings completely tax-free.

Some Common HSA Questions

Who owns the money in my HSA? Does the money in the HSA expire? Are HSAs use it or lose it?

You own the money in your HSA. Once you or your employer puts money in your HSA it will stay there indefinitely until you use it, just like a regular savings account. There are no “use it or lose it” rules regarding HSAs.

How can you make deposits to your account besides payroll contributions?

You can transfer money from other accounts or deposit it into your account. It is important to keep in mind that you will not avoid all taxes, such as payroll taxes, if you do this. If you have an established HSA with another bank, you can transfer or rollover the funds between accounts without paying taxes.

What if I'm no longer eligible for an HSA?

When you are no longer eligible for an HSA you may not make contributions to it without incurring a penalty. Otherwise, everything is the same.

The account remains open and you can still use the money for eligible medical expenses without any penalties. When you become eligible for an HSA again in the future, you can continue making contributions.

You should check your eligibility before making contributions to your HSA. Also, contributions limits are pro-rated when you are eligible for only part of the year. The IRS [Instructions for Form 8889](#) will help you determine your contribution limits.