

## Health and finances: More connected than ever



The Coronavirus pandemic has forced us as individuals, families and communities to adapt to an ever-changing way of life. With such intense focus on our health, the interconnection of health and finances is more important than ever. Especially when we need to pay for unpredictable or planned medical events.

You have a powerful tool to help cope with financial unpredictability — a medical savings account.

A health savings account (HSA) and/or flexible savings account (FSA) can help prepare you for the ups and downs for both your health and your finances. For example, when you enroll in a qualifying high deductible health plan<sup>1</sup> (HDHP) paired with an HSA, you can be set up for success by using pre-tax dollars to pay for qualified medical, dental, and vision expenses. Additionally, if you have an HSA, the money you put in can be saved or invested to use in retirement or long-term planning goals.

Here are some tips to effectively maximize the benefits of these accounts for your health expenses during this unprecedented time:

**TIP**  
**1** **Understand the difference between an HSA and FSA, and how to use them in combination.** Both an HSA and FSA allow you to set aside money for health care costs referred to as qualified medical expenses (QME) — including deductibles, copayments, coinsurance, and prescription costs. Both types of accounts have tax benefits, although those benefits aren't exactly the same.

**Investments are not FDIC insured, are not guaranteed by Optum Bank®, and may lose value.**



In most cases, you receive a debit card for your account and can use it to pay for qualifying expenses.

**Here are some important differences between the two accounts:**

	Health savings account (HSA)	Flexible spending account (FSA)
<b>Eligibility requirements</b>	Eligibility requirements include being enrolled in a qualifying high-deductible health plan (HDHP) <sup>1</sup> . You can open an HSA on your own, no employer sponsored plan required.	Not tied to a HDHP plan. Employer must offer the FSA plan to employees, check with your manager if one is available in your benefit package.
<b>Contribution limit</b>	Higher contribution limits, up to the IRS annual maximum of \$3,550/ \$3,600 for individual or \$7,100/ \$7,200 for family coverage for 2020/2021, including an optional catch-up contribution of \$1,000 for ages 55+.	Lower contribution limits, up to the IRS maximum of \$2,750 for 2020.
<b>Changing contribution amount and investment options</b>	You can change how much you contribute to the account at any point during the year. Once your HSA meets the minimum investment balance threshold you can begin investing the dollars if you choose to do so.	Contribution amounts can be adjusted during the benefit open enrollment period or with a qualifying life change event. Investing is not an option with an FSA.
<b>Rollover</b>	Unused balances roll over year after year.	You forfeit any unused balance (“Use It or Lose It”), unless your employer allows a rollover, capped at \$550 for 2020.
<b>Connection to employer</b>	Your HSA follows you as you change employers.	In most cases, the FSA remains with the employer if you change employment.
<b>Effect on taxes</b>	Contributions are tax-deductible and can be taken out of your paycheck on a pre-tax basis. Investment growth and distributions are income tax-free.	Contributions are pre-tax, and distributions are untaxed.

You may be asking yourself how much you should contribute to these accounts. A good rule of thumb is to start with enough money to cover your deductible, expected medication costs and anticipated doctor’s visits. You can access the [HSA Calculators](#) on [optumbank.com](http://optumbank.com) to get you started. Consider setting up automatic deductions from your paycheck (if your employer offers that option) that funnel directly into your HSA or FSA. You can also contribute by signing in to your account and setting a one-time transfer of a balance from an existing HSA or a recurring balance transfer from another bank account.



**Can you enroll in both accounts?** If your employer offers a limited purpose FSA (LP FSA), you can use these funds for dental and vision expenses only, in conjunction with an HSA.



**Pay for health, dental and vision expenses with tax-advantage dollars.**

If you have an HSA or FSA, you are most likely taking advantage of the pre-tax savings you receive when you deposit money directly from your paycheck or transfer balances from existing accounts.

These dollars can be used for [qualified medical, dental and vision expenses](#). For example, you can pay for prescriptions, office visits, dental work, glasses or contacts, lab tests, urgent care, emergency room, hospitalization, and more.

For furloughed or transitioned employees, these dollars can be invaluable during this time. While unemployment and government aid (i.e., stimulus check) can help provide relief for household expenses, your HSA or FSA dollars can pay for your health needs, keeping money available for other purposes.

Additionally, with the passing of the Coronavirus Aid, Relief and Economic Security (CARES) Act in 2020, certain over-the-counter (OTC) drugs, medications and feminine care products are now considered [qualified medical expenses](#). These are available for purchase with HSA or FSA dollars without a doctor's prescription. Examples of OTC medications include pain relievers, allergy medication, cold medication, sinus rinses, and more. These expenses may be claimed retroactively from January 1, 2020.

And as states are allowing elective and minor medical procedures to proceed, your HSA or FSA dollars can help cover these costs.



**Maximize your dollars for health procedures, saving, investing and more.**

If you have an HSA and are saving more than you are spending, you can leverage these dollars by using the investing options offered to you.

This can be a smart long-term investment strategy that can play an important role in your overall wealth and retirement strategy.

Investing HSA dollars has many potential tax benefits and can be an additional way to save for long-term health care needs and financial goals. HSAs are triple-tax advantaged, making them an effective savings and investment account.

- Withdrawals for qualified medical expenses are tax-free
- All contributions to an HSA are tax advantaged
- And, any earnings and investment growth from deposits are tax-free



With an Optum Bank HSA, you have two investment choices:

**Option 1: Self-directed mutual funds.** You can choose from a variety of 30+ mutual funds that average a four-star Morningstar rating and represent some of the lowest expense ratios in the industry. Optum Bank's online [asset allocation calculator](#) can help you decide which funds are right for you and your personal risk investment strategy.



As of the date of publishing, the following items are **NOT** considered qualified medical expenses eligible for purchase with HSA dollars:

- Masks
- Hand sanitizer
- Antibacterial products (e.g. wipes, etc.)

For a list of qualified expenses, please visit our [Qualified Expenses list](#) online.

**Option 2: Self-directed investment portal.** You have access to automated online advice through Betterment, the largest independent financial advisor. It combines low-cost investment strategies with technology and tailored advice to empower you to achieve your financial goals. With this information, it can build personalized portfolios with risk levels and investment mixes that are suitable for you. The portfolio is a globally diversified mix of exchange-traded funds (ETFs) chosen to help earn better returns at various levels of risk. When the time comes to use your funds, the portfolio automatically sells the right investments, allowing you to access funds for qualified expenses without the hassle of needing to choose which investments to sell. [Click here to learn more.](#)

**Your HSA or FSA can help with COVID-19 virus testing and treatment.**



Major health plans and many self-insured plans have waived the costs for testing for the COVID-19 virus at approved locations (in accordance with CDC guidelines). That waiver includes copays, coinsurance and deductibles. For those plans that don't waive costs, you can use your FSA or HSA funds to pay for testing.

If a plan is not waiving these costs, individuals can use their funds for those costs without jeopardizing the qualified status of their health plans. Additionally, the Coronavirus is considered a qualifying life event, so you can increase or decrease your FSA contributions as permitted by your employer and selected plan.



**Use the resources available to you — including health and financial tools available at [optumbank.com](https://optumbank.com).** Preparing for today can help you make sound health care decisions for the future.



You also can access the proprietary Health Finance Journey™ module featuring the [5 Stages of Health Saving and Spending](#). Within each stage, people face a variety of goals, mindsets and activities. Some people may take months to move through the stages. Others may take years. But each stage is an important step toward health and financial independence and well-being. The movement between stages is not linear — but fluid as you move in and out of a stage based on what you can contribute or invest through different life events.

Knowing where you are in your Health Finance Journey and the [5 Stages of Health Saving and Spending](#) can help you plot a course of where you want to go, and achieve health and financial well-being — today, tomorrow and in retirement.



Explore resources on [optumbank.com](https://optumbank.com).

- [HSA contribution calculator](#)
- [Qualified medical expenses](#)
- [Health savings checklist](#)
- [Statements and tax center](#)
- [Webinars](#)
- [Optum Bank Academy](#)

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**How it all can come together to benefit you.** We hope that these tips put you on the best financial and health path and provide some practical guidance you can use in your daily life. At Optum Bank, we're dedicated to improving people's well-being and passionate about the relationship and interconnection between health and finances.

Because when we understand the relationship between finance and health, we can help you reach your full potential. We are experienced health and finance professionals and a leader in the use of digital platforms, advanced analytics and technology. We create efficiencies and encourage you to actively participate in your health, making it more affordable, accessible and transparent for everyone.



Sources

<sup>1</sup> One of the legal requirements to open or hold an HSA is you must enroll in a qualifying high deductible health plan (HDHP). Note that other restrictions and exceptions may also apply. We recommend that you consult a tax, legal, benefits, human resources, or financial advisor to discuss your personal circumstances.

<sup>2</sup> Based on Optum Bank Book of Business (BOB) 5 stages analysis, 2019.

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