HSAs and Old Open Accounts

You can't reimburse eligible expenses tax-free that you incur before you establish your Health Savings Account (HSA). But if you previously opened an account and maintained a positive balance, you can reimburse tax-free all eligible expenses that you incurred since you established the prior account.

I had an HSA years ago, then lost my eligibility to fund it. Now I'm enrolling in my employer's HSA program. Can I roll those funds into my new account?

Yes. You can close the old HSA and instruct the administrator to transfer your balance to your new account. Ask your new administrator or visit its Web site to learn more.

Is there a cost associated with closing an old account and rolling over the balance to the new HSA?

Most administrators charge an account-closing fee to close the old HSA and send the funds to the new administrator. The typical charge ranges from $18 to $25. An alternative is to spend down the balance in the old HSA as you fund the new account. That way, you enjoy the benefits of pre-tax or tax-deductible contributions and tax-free distributions without incurring an account-closing fee.

Can I roll over balances from a Medical Savings Account to my HSA?

Yes. If you own an MSA (a forerunner of HSAs) and have a balance, you can roll those funds into your HSA. The rollover isn't a taxable event. You don't have to be HSA-eligible to execute the rollover.

Do I have to close the old account?

No. You can maintain more than one HSA. But owning more than doesn't increase the amount that you can contribute, nor does it expand the range of expenses that you can reimburse or the family members whose eligible expenses you can reimburse tax-free.

How does owning the old account affect my establishment date of my new HSA?

If your old HSA had a positive balance within 18 months of your establishing your new account, you're considered to have established your account as of the establishment date of the old account.

Example 1: You funded an HSA between 2015 and 2017. Then, you were no longer eligible to contribute. Your balance slowly declined, but you didn't exhaust it until February 2020. You established your new account in July 2021. Because you had no balance for less than 18 months in the old account, you're considered to have a continuously established HSA since 2015.

Example 2: You funded an HSA between 2015 and 2017. You exhausted the balance in 2018. You establish a new HSA in July 2021. Because the gap with no account balance exceeds 18 months, your new establishment date is in July 2021.

How does the older establishment date affect the expenses that I can reimburse tax-free?

If you don't have a time span exceeding 18 months with a $0 HSA balance before establishing a new account, your original establishment date remains in force. Thus, you can use future contributions to reimburse tax-free all eligible expenses that you incurred in the past – as far back as the date that you established your original HSA. Included are eligible expenses that you incurred after you established your first account during a period when you weren't eligible to contribute to your account.

EXAMPLE: See Example 1 above. You can reimburse tax-free all eligible expenses that you incurred since you established your first HSA in 2015. If you underwent vision correction surgery in 2018, had a dental implant in 2019, and paid for your daughter's orthodontic treatment in 2019 and 2020, you can reimburse those expenses tax-free from contributions that you make in 2021 and beyond. That's true even though you weren't eligible to fund a Health Savings Account when you incurred those expenses.

You must retain receipts to substantiate your reimbursements. You keep these documents with your important tax documents and produce them in case of an audit of your personal income tax return. If you didn't hold on to these documents because you didn't think you would be able to reimburse these expenses tax-free, you can download electronic Explanations of Benefits from your insurer's Web site, ask your pharmacy to run a report of your cost-sharing for prescriptions during that time, and ask your dentist or optician for copies of invoices for eligible dental and eyewear expenses.

How do I reimburse those expenses if I've already paid my provider?

You contribute to your new HSA, then immediately request a reimbursement. Ask your HSA administrator how to withdraw funds. You don't need to submit substantiation documentation to request or receive reimbursement.

Example: You identify an additional $2,000 of eligible expenses that you incurred during the period that you couldn't fund your HSA. You increase your payroll elections by $80 per biweekly pay period ($2,080 total). Then, every month, you request reimbursement of $160.

What happens if I had a gap of more than 18 months without a balance?

Since you no longer have a balance in the first account, you can't reimburse any eligible expenses that you incurred before your established your new account. You can't use contributions to your new HSA to reimburse any expenses that you incurred prior to establishing the new account.

What if I've dropped HSA-qualified coverage and then re-enrolled several times?

You start from the time that you established your most recent HSA, then work backward. If you never had a gap of more than 18 months with no balance, you can reimburse tax-free all eligible expenses that you incurred from the time that you established your first HSA. If there is a gap of more than 18 months, you can reimburse only eligible expenses tax-free that you incurred after you established the HSA following that gap of 18 months or more.

Can I make contributions greater than the statutory maximum if I have a large amount of prior eligible expenses that I can reimburse this year, now that I'm eligible to contribute to an HSA again?

No. You can't contribute more than the statutory maximum for your contract type (plus the $1,000 catch-up contribution, if you're age 55 or older) during any year. But you can use contributions in subsequent years to reimburse those older eligible expenses. Your reimbursement window doesn't close after the first year that you're eligible once again to fund an HSA.

Is there anything that I can do proactively to protect a future opportunity to reimburse eligible expenses tax-free?

Yes. If there's a possibility that you'll become HSA-eligible again in the future (you're changing medical plans rather than, for example, enrolling in Medicare), you should make sure that you always maintain a balance in an old HSA. You can do so by managing your distributions. Be sure to watch account maintenance fees. You may need to contact your administrator to determine how you can pay your account fees with personal funds so that you don't drain your balance. Alternatively, you can move your balance to an account that doesn't charge an account fee. There is no limit to the length of the gap between periods during which you can fund an HSA and reimburse eligible expenses that you incur during the gap tax-free with new HSA contributions.