370. Who is an eligible individual for purposes of a Health Savings Account (HSA)?

For purposes of an HSA, an eligible individual is an individual who, for any month, is covered under a high deductible health plan (HDHP) as of the first day of that month and is not also covered under a non-high deductible health plan providing coverage for any benefit covered under the high deductible health plan.[[1]](#footnote-1)

An individual enrolled in Medicare Part A or Part B may not contribute to an HSA.[[2]](#footnote-2) Mere eligibility for Medicare does not preclude HSA contributions.[[3]](#footnote-3)

An individual may not contribute to an HSA for a given month if he or she has received medical benefits through the Department of Veterans Affairs within the previous three months. Mere eligibility for VA medical benefits will not disqualify an otherwise eligible individual from making HSA contributions.[[4]](#footnote-4)

A separate prescription drug plan that provides any benefits before a required high deductible is satisfied normally will prevent a beneficiary from qualifying as an eligible individual.[[5]](#footnote-5) The IRS has ruled that if an individual’s separate prescription drug plan does not provide benefits until an HDHP’s minimum annual deductible amount has been met, then the individual will be an eligible individual under Section 223(c)(1)(A). For calendar years 2004 and 2005 only, the IRS provided transition relief such that an individual would not fail to be an eligible individual solely by virtue of coverage by a separate prescription drug plan.[[6]](#footnote-6)

An individual will not fail to be an eligible individual solely because the individual is covered under an Employee Assistance Program, disease management program, or wellness program, if the program does not provide significant benefits in the nature of medical care or treatment.[[7]](#footnote-7)

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

**Planning Point**: An employer can provide an onsite medical clinic without jeopardizing employee HSA eligibility, provided the employer’s clinic does not provide “significant benefits in the nature of medical care” (in addition to disregarded coverage or preventive care).[[8]](#endnote-1)[[9]](#endnote-2) Meeting the exception depends on the level of services provided by the health clinic. Allowed services include the following:

* Physicals,
* Immunizations,
* Injecting antigens provided by employee,
* Providing aspirin/pain relievers, and
* Treatment of injuries or accidents that occur at work.

Certain kinds of insurance are not taken into account in determining whether an individual is eligible for an HSA. Specifically, insurance for a specific disease or illness, hospitalization insurance paying a fixed daily amount, and insurance providing coverage that relates to certain liabilities are disregarded.[[10]](#footnote-8)

In addition, coverage provided by insurance or otherwise for accidents, disability, dental care, vision care, or long-term care will not adversely impact HSA eligibility.[[11]](#footnote-9)

If an employer contributes to an eligible employee’s HSA, in order to receive an employer comparable contribution the employee must:

(1) establish the HSA on or before the last day in February of the year following the year for which the contribution is being made and;

(2) notify the appropriate contact person of the HSA account information on or before the last day in February of the year described in (1) above and specify and provide HSA account information (e.g., account number, name and address of trustee or custodian, etc.) as well as the method by which the account information will be provided (e.g., in writing, by e-mail, on a certain form, etc.).

An eligible employee that establishes an HSA and provides the information required as described in (1) and (2) above will receive an HSA contribution, plus reasonable interest, for the year for which contribution is being made by April 15 of the following year.[[12]](#footnote-10)

1. . IRC Sec. 223(c)(1)(A). [↑](#footnote-ref-1)
2. . IRC Sec. 223(b)(7). [↑](#footnote-ref-2)
3. . Notice 2004-50, 2004-2 CB 196, A-3. [↑](#footnote-ref-3)
4. . Notice 2004-50, 2004-2 CB 196, A-5. [↑](#footnote-ref-4)
5. . Rev. Rul. 2004-38, 2004-1 CB 717. [↑](#footnote-ref-5)
6. . Rev. Proc. 2004-22, 2004-1 CB 727. [↑](#footnote-ref-6)
7. . Notice 2004-50, 2004-2 CB 196, A-10. [↑](#footnote-ref-7)
8. [↑](#endnote-ref-1)
9. [↑](#endnote-ref-2)
10. . IRC Sec. 223(c)(3). [↑](#footnote-ref-8)
11. . IRC Sec. 223(c)(1)(B). [↑](#footnote-ref-9)
12. . TD 9393, 2008-20 IRB. [↑](#footnote-ref-10)