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The Health Care Savings Plan (HCSP), administered by Minnesota State Retirement System, does not limit your ability to participate in multiple tax-advantage medical savings plans such as a Health Savings Account (HSA), Health Reimbursement Arrangement (HRA), or Flexible Spending Account (FSA). However, there are special concerns regarding the compatibility of an HSA with all other tax-advantaged medical savings plans, including the HCSP. Please review this FAQ to learn more about the interaction between the HCSP and an HSA.

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### Are the HCSP and HSA the same plan?

Although both are tax-advantaged medical savings accounts, they are different plans.

- The HCSP, administered by Minnesota State Retirement System, is an employer-sponsored, tax-free account you use to reimburse qualified medical expenses incurred after you leave employment.
- An HSA is a medical savings plan available to taxpayers who are enrolled in a high-deductible health plan (HDHP). Funds withdrawn are tax-free when used to pay for qualified medical expenses. Funds withdrawn for non-medical expenses are taxed as ordinary income and a tax penalty may apply.

### Can I contribute to both an HCSP and HSA account?

Yes, but once you are eligible to access your HCSP funds because you retired or left Minnesota public employment, you may not be able to contribute to an HSA. However, you may remain eligible to contribute to an HSA if your HCSP account is limited to the reimbursement of vision and dental expenses. IRS Revenue Ruling 2004-45 provides guidance on this matter.

### Does the compatibility of the HCSP and HSA prevent me from accessing money from both accounts?

- During a calendar year in which there are contributions to your HSA, the HCSP should only be used to reimburse vision and dental expenses.
- During a calendar year in which there are NO contributions to an HSA, you can request reimbursements from either the HCSP or HSA account, provided it does not reimburse the same medical expense.

### How do I remain eligible to contribute to an HSA if I have access to my HCSP account?

If you, your spouse, or an employer want to contribute to an HSA on your behalf during a calendar year in which you are eligible to access your HCSP funds, we encourage you to complete an *HCSP Reimbursement Suspension Election* form. In the event of an IRS audit, this form is proof that your HCSP account was a limited-purpose account (only used to reimburse vision and dental expenses) during calendar year(s) a contribution was made to an HSA on your behalf.

### Am I required to suspend my HCSP account if I want to contribute to an HSA?

We strongly encourage you to forgo reimbursements of medical expenses by completing the *Reimbursement Suspension Election* form, as we believe the suspension is in your best interest. You may continue to be reimbursed for vision and dental expenses during the suspension period.

Ultimately, the decision is yours. In the event of an audit, the burden of proof is on you, not MSRS. Please consult your tax advisor or financial professional to discuss your situation. To learn more, see IRS Revenue Ruling 2004-45.

### How long does an HCSP suspension election last?

Suspension elections are January 1 through December 31. Each year you wish to remain eligible to contribute to an HSA, you should complete a *Reimbursement Suspension Election* form.

## Who does an HCSP reimbursement suspension election apply to?

Depending on the circumstances, a suspension election may apply to you (the participant), or your spouse and/or your dependents.

| Who contributed to the HSA this calendar year? | Type of high-deductible health plan (HDHP) | The suspension applies to:    |
|--|--|-------------------------------|
| You or your employer                           | Self-only                                  | You                           |
|  | Family                                     | You, your spouse & dependents |
| Your spouse or his/her employer                | Self-only                                  | Your spouse                   |
|  | Family                                     | You, your spouse & dependents |

### Once my suspension expires, can I be reimbursed for medical expenses incurred during that period?

No. Reimbursements can be requested for medical expenses incurred starting January 1 of the year following the end of the HCSP reimbursement suspension election period.

### I contributed to an HSA this calendar year but still work for the employer that sponsored my HCSP. Should I complete a suspension election form?

No. The suspension only applies if you are eligible to access your HCSP. Since you still work for the public employer that sponsored your HCSP, you cannot access your account and therefore, don't need to complete the form.

### A contribution was made to my HSA before I left employment; no further HSA contributions will be made. Should I suspend HCSP reimbursements?

It doesn't matter whether the HSA contribution occurred before or after you left employment. If there was a contribution to an HSA anytime during a calendar year you are eligible to access your HCSP, we encourage you to complete the *Reimbursement Suspension Election* form for that year.

### I contributed to an HSA this calendar year. If I "spend down" my HSA can I use my HCSP to reimburse medical expenses?

No. Once a contribution has been made to an HSA during a calendar year in which you have access to your HCSP, we believe your HCSP account is limited to the reimbursement of vision and dental expenses. We recommend you suspend reimbursements of medical expenses for the entire calendar year.

### Can I revoke my HCSP reimbursement suspension election if there will be no additional contributions to my HSA?

No. You cannot modify or revoke a reimbursement suspension election during the current calendar year.

## Still have questions? Contact Us



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