

# Choice Plus with Health Savings Account

## FREQUENTLY ASKED QUESTIONS

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### WHAT ARE THE KEY BENEFITS OF THE CHOICE PLUS WITH HEALTH SAVINGS ACCOUNT (HSA) MEDICAL PLAN?

Our HSA-compatible medical plan offers comprehensive coverage with lower premiums, allowing you to set aside funds tax-free in a health savings account to prepare for future medical expenses.

An HSA is an individual savings account you can use with tax-free money to pay for eligible out of pocket expenses and help take control on your healthcare spending. You own your HSA account and can take it with you even if you leave LCRA.

If you elect the Choice Plus with HSA medical plan, you are eligible to participate in a HSA through Fidelity with a minimum \$1.00 annual contribution. For the 2026 plan year, LCRA will contribute \$500 for individual coverage or \$1,000 for family coverage. LCRA's contribution will be pro-rated based on benefits effective date. In addition, you are eligible to contribute additional pre-tax funds on a per-pay period basis. Unlike a flexible spending account (FSA), your funds will carry over year-to-year and can be invested like a 401(k), allowing you to build your savings over time. To receive LCRA's contribution, you must contribute any amount within the IRS limits or the minimum annual amount of \$1.00.

### HOW DOES THIS PLAN COMPARE TO THE CHOICE & CHOICE PLUS PLANS?

Compared to our other plans, you will have lower premiums and a higher deductible. You will still enjoy comprehensive coverage, no-cost preventative care, network doctors and prescription drug benefits.

The health savings account is only available if you enroll in the Choice Plus with HSA medical plan and meet the HSA eligibility requirements. Our HSA will be administered by Fidelity Investments. Under this plan, all non-preventative care medical services and prescriptions are first subject to the deductible and then coinsurance will apply. For family coverage, this means the total family deductible must be met first. Once you reach your out-of-pocket maximum, all your qualified expenses for the rest of the plan year are covered at 100%.

### HOW DO I ENROLL IN THE HEALTH SAVINGS ACCOUNT?

This plan is available for election during our annual benefits open enrollment period each fall or when you experience certain qualifying life events such as a marriage, birth or adoption.

If you are enrolling in an HSA for the first time, you will need to activate your HSA through Fidelity. You can get started by going to Fidelity NetBenefits and clicking on the “Open an HSA” tile, or follow the prompts from the email you will receive from Fidelity following your enrollment.

## WHO IS ELIGIBLE TO HAVE A HEALTH SAVINGS ACCOUNT PER IRS GUIDELINES?

You are eligible for an HSA if:

- You are enrolled in the Choice Plus with HSA medical plan and not covered by another non-HSA-eligible health plan. This means:
  - You can't participate in a general-purpose FSA.
  - You cannot be covered on your spouse's non-HSA health plan to receive additional coverage.
  - Your spouse cannot be enrolled in a health care FSA, even if your spouse doesn't plan on submitting your expenses.
- You have a valid U.S. address.
- You are not currently enrolled in Medicare.
- You are not claimed as a dependent.

If you open an HSA and make contributions while you are ineligible, your contributions may be taxable, and you may be subject to penalties.

## WHAT ARE THE TAX ADVANTAGES OF AN HSA?

Health savings accounts offer three layers of tax advantages:

- **Contributions:** The simplest way to contribute to your HSA is through pre-tax payroll deductions. If you choose to make after-tax contributions to your HSA (such as transferring funds from another bank account), these contributions are tax-deductible. LCRA's contributions to your account are tax-free as well.
- **Payments:** You can take your money out tax-free as long as it's for qualified medical, dental and vision expenses.
- **Investments:** Your HSA also acts as a brokerage account. When you invest your funds, any growth will be tax-free. You have the option to invest your money in mutual funds, stocks and bonds, ETFs and CDs.

## ARE THERE FEES ASSOCIATED WITH THE HSA?

You will not be responsible for any fees associated with your account. LCRA will cover administrative fees.

## WHAT CAN I USE MY HSA FUNDS FOR?

Your HSA funds can be used on [qualified expenses](#), which are determined by the IRS. These include your deductible and coinsurance, most medical, dental and vision care services and prescription drug benefits.

Your funds can be used to pay for your spouse and dependents' qualified expenses as well – regardless of whether they are covered by the Choice Plus with HSA medical plan. You must request an HSA debit card in each of their names from Fidelity in order to authorize them under your account.

## HOW MUCH SHOULD I PLAN TO CONTRIBUTE TO MY HSA?

The IRS sets annual contribution limits, but the amount you contribute up to that limit is up to you. The annual HSA contribution limits can be found [here](#). It's recommended that your annual contribution combined with LCRA's contribution is enough to cover your anticipated eligible out-of-pocket expenses for the year. You can also use the amount of your deductible as a goal.

You can maximize the benefit of your HSA by contributing more than you think you'll need in the short-term and growing your funds further through investments. Save for larger medical expenses down the line like surgeries, welcoming a new child or health care needs that arise as you get older.

## HOW DO I USE MY HSA FUNDS TO PAY FOR QUALIFIED MEDICAL EXPENSES?

When you're ready to use your HSA funds for an eligible expense, you have the option to use your Fidelity HSA debit card, pay medical bills online or receive reimbursement.

If you would like to use the funds that you invested through your HSA for a qualified out-of-pocket expense, you can cash out earnings from your HSA investments and your funds will generally be available in a few business days. Contact Fidelity at 800-430-2363.

## WHAT HAPPENS IF I LEAVE LCRA, FORMALLY RETIRE OR CHANGE TO A NON-HSA-ELIGIBLE HEALTH INSURANCE PLAN?

You will be responsible for any fees associated with your HSA account. Your HSA continues to belong to you and you can continue to use and invest the funds already in your account. You will not be able to make additional contributions to your account unless you enroll in another HSA-eligible medical plan.

## WHAT IF I HAVE MORE QUESTIONS?

You may reach out to the [HR Benefits team](#) with questions or review the resources below.

- [Meet the Fidelity HSA](#)
- [Making the most of your health savings account](#)
- [HSA webinar](#)
- [What medical expenses are includible – IRS](#)

