



Health Savings Account (HSA) Reimbursement Guide

Pay yourself back for qualified medical expenses.

A health savings account (HSA) offers a convenient way to cover qualified medical expenses. Provided you're enrolled in an HSA-eligible health plan, you can make contributions to the account and then use your HSA debit card to directly pay for such expenses as you incur them. But you also have the option to use your HSA funds to reimburse yourself if you pay out of pocket, days or even decades later. Learn about the HSA reimbursement rules to help ensure you can keep those tax advantages.

What is an HSA reimbursement?

An HSA reimbursement is the money you request from your HSA provider to receive from your account after you've already paid for a qualified medical expense out of pocket. This might make you wonder: If you have money in your HSA to pay for qualified medical expenses, why not use this account to directly pay a bill instead of paying out of pocket and getting reimbursed later? There are a few reasons you might opt for HSA reimbursement:

- You might not have your HSA debit card on you when you need it, like on an unplanned trip to the hospital.
- You might get a medical bill larger than your HSA balance, so you may pay at least partly out of pocket and reimburse yourself from your HSA over time as your balance potentially grows through potential investment gains and additional contributions, if you're enrolled in an HSA-eligible health plan.
- You might prefer to pay for your health care expense with a rewards credit card in order to rack up points. Just be sure you can pay your entire credit card bill each month, so a high interest rate doesn't make this strategy costly.
- You may want to invest your HSA dollars for the growth potential to pay for future medical needs or to supplement your retirement income.

How do HSA reimbursements work?

You can request an HSA reimbursement for qualified medical expenses if the expenses meet these conditions:

- You had already opened the HSA account when you incurred the medical expense.

- You were not reimbursed for the expense in any other way.
- You did not take the expense as an itemized deduction on taxes in any year.

You'll need to follow your HSA provider's specific instructions for requesting reimbursement, but typically you can make the request online.

Can you reimburse yourself from your HSA?

Yes, you can reimburse yourself from your HSA after you submit a reimbursement request with your provider and verify your expense is qualified (learn more about qualified HSA expenses). The methods to receive reimbursement vary by provider, but these are generally the options that may be available:

- **Make an online transfer.** Transfer the reimbursement amount directly from your HSA to a linked account.
- **Write yourself a check.** If your HSA comes with a checkbook, write a check to yourself and deposit it in a different account of your choosing.

Should you reimburse yourself from your HSA?

Only you can decide whether it makes sense for you to reimburse yourself from your HSA. Here are a few factors you might consider:

If you have a limited-purpose flexible spending account (LPFSA) ...

Consider using your LPFSA on qualified medical expenses that account could cover, like qualified vision and dental costs, before dipping into your HSA. Typically, you will forfeit any funds left in an LPFSA at the end of the plan year, though some plans allow you extra time to use the money in your LPFSA or allow you to carry over a portion of your remaining balance to next year. FSAs are not allowed to offer both of these at the same time, however. Your HSA dollars, on the other hand, are yours to keep year after year. Another reason to consider prioritizing spending LPFSA money: You can't invest those dollars for potential growth like you can with the money in an HSA.

If you want to maximize tax benefits ...

If you choose to contribute to and invest in an HSA rather than a taxable brokerage account, you may be better off based on the tax benefits associated with an HSA. Contributions to an HSA are pre-tax or tax deductible, so they reduce your taxable income; conversely the dollars you invest in a taxable brokerage account have already had taxes taken out. While your contributions remain in an HSA, they earn investment income, including dividends, interest, and, if you decide to sell an investment above the price you purchased it, realized capital gains, free from federal tax. For this reason, if you invest in your HSA and can afford to hold off reimbursing yourself for qualified medical expenses, you can give your investment the time to potentially grow. In a taxable account, you need to pay taxes on the investment income you earn each year as well as when you sell an investment at a gain. Over time, the tax savings of the HSA's triple tax advantage¹ may result in improvements to your financial plan if you contribute to an HSA rather than to a taxable account.

If you have already retired ...

Your HSA could be an important source of tax-free withdrawals for health care expenses in retirement. Withdrawals from a traditional workplace retirement plan or IRA are not tax-free, therefore they do not offer the same tax advantages as an HSA reimbursement would.

How to reimburse yourself from your HSA

The exact directions for how to reimburse yourself from your HSA depend on the provider, but they are generally some version of the following:

1. Log in to your HSA account

Visit your provider's website and use your credentials to access your account. Check for options like "expenses" or "reimbursement."

2. Log your expense

Enter the expense amount, date of expense, and what the expense covered. You may also have the option to upload receipts so you can find them easily if you're audited.

3. Select reimbursement method

Choose how you want to receive your HSA reimbursement from the available options.

4. Receive your reimbursement

Now, simply wait for your money to arrive or get your cash yourself via the method you selected.

What happens if you try to reimburse yourself for an ineligible HSA expense?

If you realize an expense you requested reimbursement for isn't eligible, ask your provider about correcting the error. This is known as a "mistaken distribution." In general, you can return the withdrawn funds to your HSA by completing paperwork by the tax-filing deadline of the following year (not including extensions) to avoid taxes and penalties.

If you don't correct the error by returning the money before tax time, you'll face a 20% IRS penalty on the withdrawn funds, on top of ordinary income tax on the amount. Once you've reached age 65, you won't be charged the penalty withdrawing funds for a non-qualified medical expense, though you would still be liable for income tax.

Is there an HSA reimbursement time limit?

There is no time limit to request HSA reimbursements. You can pay for qualified medical expenses out of pocket and reimburse yourself days or even decades later. You might not need to submit receipts to your HSA provider to get reimbursed, but keep those receipts for tax purposes and to remember how much you can reimburse yourself tax-free in the future.