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Account based health plans

What you need to know




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Agenda

- 01 HSA basics
- 02 HRA basics
- 03 FSA basics
- 04 Comparison of plans
- 05 Research



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01

HSA basics


Health Savings Account (HSA)

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HSA-qualified health plan



Health savings account (HSA)

+



An HSA-compatible health plan

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HSA-qualified health plan


Minimum deductible

- Single \$1,600 (2024) \$1,500 (2023)
- Family \$3,200 (2024) \$3,000 (2023)

Maximum Out of pocket (OOP)

- Single \$8,050 (2024) \$7,500 (2023)
- Family \$16,100 (2024) \$15,000 (2023)

Notes: Limits on deductibles, amount of out-of-pocket expenses apply only to in-network providers. Individual deductibles not to exceed \$2,000 for each individual in a family plan.



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No copays before deductible

No copays before deductible




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Over the counter (OTC) medications

As of January 1, 2020, OTC medications are considered an eligible HSA expense without needing a prescription.



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HSA eligibility

To contribute to an HSA, you must:

- Be covered only by an HSA-qualified plan
- Having other health coverage (including Medicare, Tricare, a traditional health coverage) will disqualify you
- Not have a healthcare Flexible Spending Account (FSA) (including through a spouse)
 - You can have the Limited Purpose FSA and/or Dependent Care Reimbursement Account
- Not be claimed as a dependent on someone else's tax return



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Health savings account contributions



Single
2024: \$4,150
2023: \$3,850
per year



Family
2024: \$8,300
2023: \$7,750
per year


Age 55+: \$1,000 catch-up contribution annually

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One or two accounts?

- For **married couples**, the family can open one or two HSAs, if both spouses are eligible.
- The **total contribution** to the two accounts cannot exceed the maximum allowed for the year, including pro-rated amounts.
- As with **individual retirement accounts**, joint accounts are not permitted.
- Spouses **may consider** establishing an account in their own name. This allows both spouses to make catch-up contributions when each spouse is 55 and older.
- There is **no requirement** to open separate accounts.




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HSA contribution deadline


Contributions may be made with any frequency the account holder desires in equal installments or in one lump sum as late as the tax filing deadline of the following year.



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Expenses



Eligible expenses

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Insurance Out Of Pocket (OOP) expenses

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Other eligible medical expenses




Medical

- Doctor's fees
- Prescription medicines or drugs
- Operations or non-cosmetic surgery
- Hearing aids and hearing aid batteries



Dental

- Dental treatment (x-rays, fillings, extractions, braces, etc.)
- Artificial teeth



Vision

- Eyeglasses (including eye examinations)
- Contact lenses (including saline solution & cleaner)
- Eye surgery (including LASIK surgery)

For an expanded list of qualified medical expenses, visit: HealthEquity.com/hsa-qme

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HSA and insurance premiums

HSA's can be used to pay for certain insurance premiums:

- COBRA
- Insurance premiums while receiving unemployment benefits
- Long-term care insurance
- As long as you are 65 years old or older, you can use your HSA to pay for Medicare premiums Parts A, B, C and D.




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Spouse's and children's expenses


Eligible expenses for your spouse and tax-dependent children are HSA eligible expenses even if they are not covered on your HSA-qualified health plan but are a tax dependent.



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Not use it or lose it


Use it or keep it

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Triple tax benefit

- ✓ Contributions are tax-deductible
- ✓ Earnings are tax-free
- ✓ Distributions for eligible expenses are tax-free







Not for use based on a federal income tax credit when used opportunistically for qualified medical expenses. May have state-specific rules that are inconsistent with any tax exceptions. Please consult your advisor regarding your state's specific rules.

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HSA vs IRA or 401(k)

 MONEY IN: NOT TAXED	 HSA	 Used for qualified medical expenses  Not used for medical expenses	MONEY OUT: NOT TAXED MONEY OUT: TAXED
MONEY IN: NOT TAXED	IRA & 401(k)		MONEY OUT: TAXED
MONEY IN: TAXED	ROTH		MONEY OUT: NOT TAXED

Not for use based on a federal income tax credit when used opportunistically for qualified medical expenses. May have state-specific rules that are inconsistent with any tax exceptions. Please consult your advisor regarding your state's specific rules.

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Time for a quiz

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Coverage:

Husband
self-only
HSA-qualified

Wife
self-only
HSA-qualified

- 1 Who is HSA eligible?
Answer: Both
- 2 If only the husband sets up an HSA, how much can he contribute?
Answer: \$4,150 (2024) \$3,850 (2023), plus \$1,000 if he is age 55+

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Coverage:

Husband
HSA-qualified
Family coverage

Wife
HSA-qualified
Family coverage

- 1 If only the wife sets up an HSA, how much can she contribute?
Answer: \$8,300 (2024) \$7,750 (2023) plus \$1,000 if she is age 55+
- 2 If they both set up an HSA, how much can each contribute together?
Answer: \$8,300 (2024) \$7,750 (2023) to be divided however they choose Plus \$1,000 if the account holder is age 55+

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Coverage:

Husband
self-only
HSA-qualified

Wife
non-HSA-qualified,
family coverage. She,
her husband and her
kids are on the plan.

1 How much can the husband contribute to an HSA?
Answer: \$0 – he is ineligible because he has other health coverage

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Coverage:

Husband
HSA-qualified family
coverage through his
employer. He is also
enrolled in Medicare.

Wife
age 62, retired
and covered on
her husband's plan.

1 How much can the husband contribute to an HSA?
Answer: \$0 – he is ineligible because he has Medicare

2 How much can the wife contribute to an HSA?
Answer: \$9,300 (2024) \$8,750 (2023) – the full family amount + the \$1,000 catch-up contribution. She cannot, however, make pre-tax contributions or accept any employer contributions.

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Polling Question



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HRA basics

Health Reimbursement Arrangement (HRA)


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HRA basics

- **Account is owned** and 'funded' by the employer
- **Must be 'integrated'** with a qualified Affordable Care Act (ACA) health plan (except retiree-only HRA)
- **Eligible expenses** are paid out of pocket and reimbursed, tax-free, from the HRA
- **A plan document is required**




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HRA funding

- **Employer funding only** (not considered income for employees)
- **Amount determined** by the employer (no statutory maximum)
- **Funds may roll over** at the discretion of the employer (unused funds belong to the employer)
- **No money is set aside** in a trust-pay as you go system.




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HRA distributions

- Employer determines coverage amounts
- Medical, vision and dental expenses may be covered
- Over-the-counter drugs are covered without needing a prescription as of Jan. 1, 2020
- Cards are optional



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Post-deductible HRA (PDHRA)

PDHRA with HSA

- Similar to a Post-Deductible Flexible Spending Account (PDFSA), but employer funded
- HDHP-statutory minimum annual deductible (or greater) is met.

PDHRA with traditional PPO

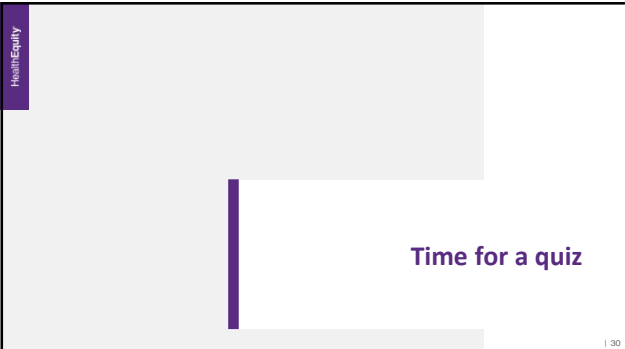
- The employer can set the deductible at any amount it chooses.
- Members will pay all costs until they've reached the deductible



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Time for a quiz



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Coverage:

Mike enrolls in an HRA health plan with single coverage.

Megan enrolls in an HRA health plan with family coverage.

- 1 How much do Megan and Mike receive in their HRA?
Answer: That is decided by the employer
- 2 Who can add money to the HRA?
Answer: Only the employer

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Coverage:

Megan leaves her employer on June 15; her HRA plan was effective January 1 through December 31

- 1 Can Megan still use her HRA funds on July 1?
Answer: This depends on plan design and if she elected COBRA.
- 2 If she elected COBRA can she still pay for items using her HRA?
Answer: Generally, the HRA funds may remain available if elected through COBRA.

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FSA basics
Flexible Spending Account (FSA)

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Why FSAs?

A simple way to save:

- Tax-deductible contributions
- Convenient payroll contributions
- Easy to use payment options
- Pay for eligible expenses




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Healthcare FSAs

- Pre-tax payroll contributions
- Can be used to pay for eligible healthcare expenses
- Entire coverage amount available at the beginning of the plan year
- IRS allows employee contributions up to \$3,050 (2023) per working spouse
- Employer can choose to offer a carryover of unused balances, or provide a 2 ½ month grace period to use funds, but cannot elect both



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FSA and HSA overlap

Grace period

- \$0 balance by the last day of the plan year (e.g. 12/31)
- Allows for an extension period of time to incur expenses by 2½ months
- Note: Even if they exhaust their funds, participants will not be able to fund HSA typically until 4/1, dependent on the plan election and that the plan is a zero balance at the end of the plan year


Rollover

- Can roll up unused funds into a Limited Purpose FSA
- Note: Plan docs cannot be amended for a sub-group, but must be amended for everyone on the plan



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Limited-purpose FSAs

- **Tax-deductible** payroll contributions
- **Funds available up front** at the beginning of the plan year
- **Can be used in conjunction** with an HSA
- **Can be used for** eligible dental and/or vision expenses only
- **Allows you to maximize** your pre-tax HSA contributions and contribute pre-tax dollars to your LPFSA


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PDFSAs

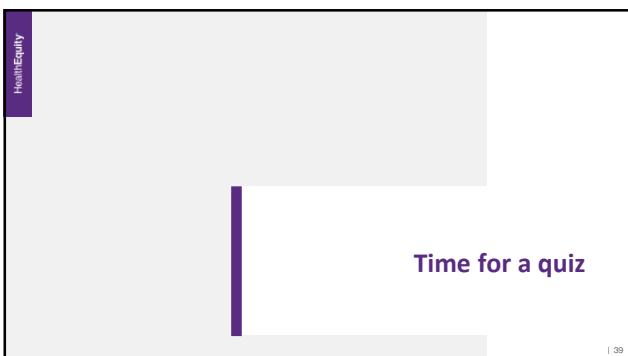
- **The employer can** set the deductible or use the Internal Revenue Service statutory minimum deductible of \$1,600/\$3,200 (2024) \$1,500/\$3,000 (2023)
- In order to maintain HSA compatibility, the PDFSA needs to be at least the IRS statutory amount.
- **Funds available** once the member meets the deductible
- **Can be used in conjunction** with an HSA



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Time for a quiz

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Coverage:

Desiree has a healthcare health care FSA ending on December 31, with a grace period ending March 15. She would like to elect an HSA January 1.

- 1 Is Desiree eligible to open the HSA?
Answer: Yes, if she has a \$0 balance as of December 31.
- 2 Is Desiree eligible to open the HSA if her plan has a carryover instead of a grace period?
Answer: Yes, she can either carryover into an Limited Purpose FSA or forfeit the money.

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Coverage:

A new group decides to offer an FSA to its employees and wants to be strategic in its offering.

- 1 Is it possible for an employer to contribute to the FSA?
Answer: Potentially, there are strict guidelines and limitations which much be considered prior to an employer making an FSA contribution.

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Polling Question



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Comparison

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HSA: Things you should know

Employer

- Ability to help control costs and utilization
- Streamlined employer involvement

Employee

- Can be funded by anyone
- Unused funds are not forfeited
- Owned by individual
- Can save for expenses in retirement
- Funds earn tax-free¹ interest
- No maximum balance
- Account is portable
- Triple-tax advantage
- Preventive care is covered
- Use it or keep it
- Not COBRA eligible
- Qualified medical expenses
- Investment options possible²

HSA: Things you should consider

Employee

- HSA-qualified health plan is required
- Funds are only available after contribution
- IRS reporting requirements
- Maximum annual funding limits
- Can't be used with a healthcare FSA

1 HSAs are more taxed if held longer than when used appropriately. For qualified medical expenses, they must cover eligible self, spouse, dependent or child. 2 HSAs can be rolled over into an IRA or other investment account. 3 HSAs can be used for qualified medical expenses, but only for those expenses. Please consult a tax advisor regarding your own specific case. © 2014 HealthEquity. All rights reserved. HealthEquity is a registered trademark of HealthEquity, Inc. HealthEquity, the HealthEquity logo and all other marks contained herein are trademarks of HealthEquity, Inc. All other marks contained herein are the property of their respective owners.

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HRA: Things you should know

Employer

- Employer determines amount contributed to account
- Unused benefits can be forfeited
- HRA costs are deductible as business expenses

Employee

- Funds are available following contribution processing for eligible healthcare expenses
- Unused funds may roll over
- Can be used in conjunction with a healthcare FSA and LPFSA

HRA: Things you should consider

Employer

- Plan document is required
- COBRA requirements
- Rules/regulations are complex
- Self-employed are not eligible

Employee

- Funds belong to the employer
- Claims must be submitted for reimbursement
- No ability to save for healthcare expenses in retirement

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FSA: Things you should know

Employer

- Unused benefits can be forfeited

Employee

- Funds are available immediately for eligible healthcare expenses
- Unused funds can carry over (if permitted by the employer)
- Can be used in conjunction with a health reimbursement arrangement or HSA (as limited or post deductible)
- Pre-tax contributions applied to funds elected

FSA: Things you should consider

Employer

- Plan document is required
- COBRA requirements (if balance in FSA is equal or less than the amount withheld from payroll)
- Rules/regulations are complex (COBRA, ERISA and HIPAA apply)
- Self-employed individuals are not eligible

Employee

- Funds belong to the employer (not portable from employer to employer)
- Claims must be submitted for reimbursement
- No ability to save for healthcare expenses in retirement

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Industry contributions

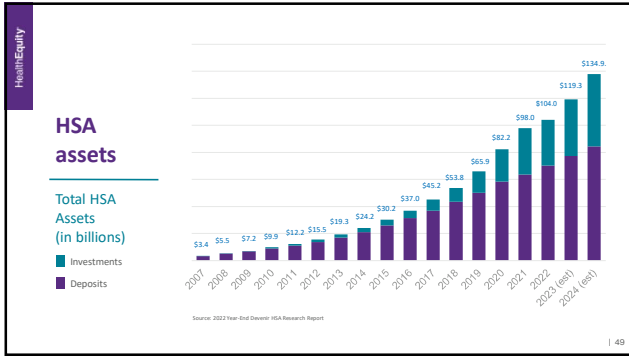
2022 Year-End

Employer	26% of all HSA dollars contributed to an account came from an employer
Employer	\$869 the average employer contribution (for those making contributions)
Employee	63% of all HSA dollars contributed to an account came from an employee
Employee	\$2,147 the average employee contribution (for those making contributions)
Individual	11% of all HSA dollars contributed to an individual account not associated with an employer
Individual	\$2,037 the average employee contribution (for those making contributions)

Source: 2022 Year-End Defined HSA Research Report

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HSA funds being used in a variety of ways

Year-End 2022

2022	Average # of distribution per account	% of total withdrawals (#)	Average transaction size
Debit Card	7.8	89%	\$112
Check	0.1	2%	\$334
Online Bill Pay	0.6	6%	\$170
ATM	0.1	1%	\$126
Unknown	0.2	2%	\$298

Source: 2022 Year-End Overview HSA Research Report

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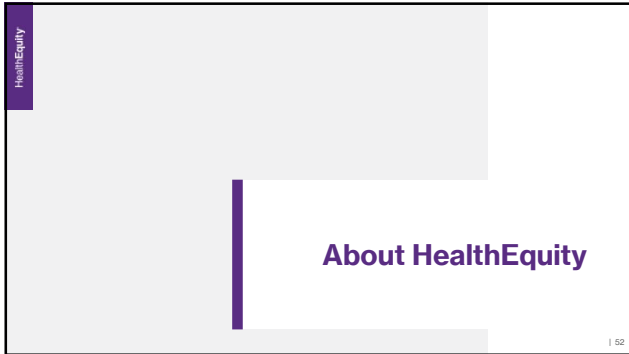
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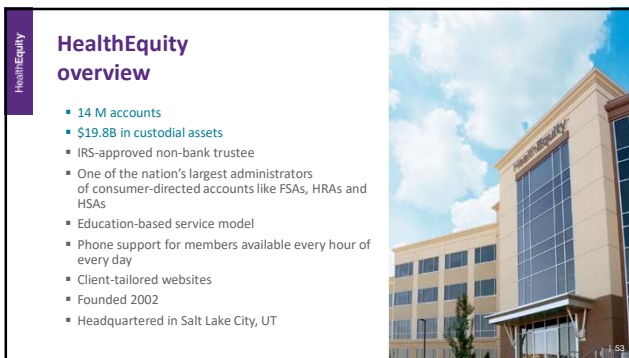
Questions?

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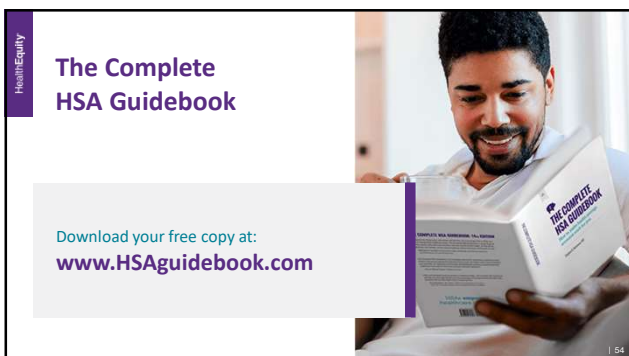
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