

# Health Savings Accounts

Have Questions?  
Contact Us!

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## What is an HSA?

A Health Savings Account (HSA) allows employers and employees to deposit pre-tax dollars into an employee-owned account to pay for out-of-pocket health care expenses that insurance doesn't cover. In order for an employer or employee to contribute money into an HSA, the employee must be enrolled in an HSA-qualified health insurance plan, also known as a High Deductible Health Plan (HDHP).

The HSA-qualified HDHP must have a minimum out-of-pocket deductible before certain medical expenses can be covered by the carrier. In 2018, the minimum deductible is \$1,350 for singles and \$2,700 for families. The employee can use their HSA funds to pay for the deductible expenses.

The HSA-qualified HDHP also has a required cap on the maximum out-of-pocket expenses the employee is responsible to pay for yearly. For 2018, the maximum cap is \$6,650 for singles, and \$13,300 for families.

## How much can be contributed to the HSA?

The IRS sets a maximum limit to the amount of money allowed to be contributed into an HSA account each year. In 2018, the maximum amount that can be contributed into an HSA (from employers or employees combined) is \$3,450 for individuals and \$6,900 for families. Employees that are 55 and over are allowed an additional catch-up contribution of \$1,000.

## Features of an HSA:

- HSA contributions are tax-deductible for the employer
- HSA contributions are tax-free for the employee
- The HSA is portable, meaning that if the employee separates from service, they can take the HSA with them, similar to a 401(k) account.
- Interest earned on the account, and any investment earnings are not taxed
- Owners of companies organized as an S-Corp, LLC or Partnership cannot participate in a traditional HRA or FSA. They can, however, establish an HSA for themselves while an HRA is established for the remainder of the group.
- Distributions from the account are not taxed as long as they are used to pay for qualified medical expenses
- The remaining balance rolls over from year to year
- HSA funds can be used to pay for all IRS-Eligible Expenses, including health plan deductible expenses, dental, vision, and much more
- If the employee dis-enrolls from a qualified HDHP, contributions are no longer allowed, but funds can still be used for qualified expenses, regardless of health plan coverage



## Examples of Eligible HSA Expenses:

- \* Medical Deductibles
- \* Co-pay or coinsurance
- \* Dental
- \* Vision
- \* Prescription Drugs
- \* Orthodontia
- \* Hearing Aids
- \* Eldercare
- \* Limited over-the-counter items
- \* Limited Healthcare Premiums (including COBRA, LTC, Medicare)

# HSA-Compatible Plans

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## Pairing an HRA or FSA with an HSA:

In order to maintain an HSA-qualified health plan, most medical expenses\* cannot be reimbursed by the HRA and/or FSA until the employee has met the required minimum deductible for the health plan.

\*Preventative expenses and non-medical expenses, such as Dental and Vision are allowed to be reimbursed first-dollar, without the deductible requirement, if they are eligible on the plan.



## HSA-Qualified Plan Design

When an HSA-Qualified FSA Plan Design is requested, the employee's FSA will be set up to initially be limited to only allow Dental, Vision and Preventive Expenses until the required minimum health plan deductible has been met. Please note - preventive expenses are reimbursable by claim submission only.

In order to ensure an HRA plan is HSA-Qualified, there are a few options. The HRA plan can be set up as an Employee Pay First plan design, so the Employee must meet the required out-of-pocket health plan deductible before they have access to HRA funds. If the HRA covers Dental and/or Vision expenses, the HRA could also be limited to only allow Dental or Vision expenses until the employee meets the required deductible.

In order to access the HRA or FSA funds once their deductible has been met, the employee will complete an online **HSA Declared Deductible form**, where the employee simply acknowledges that they have met their portion of out-of-pocket expenses. The employer can also choose to require that the employee provide actual proof of payment through documentation. Choice Strategies will request receipts or a copy of the employee's banking statement showing the applicable transactions.