

Your **HSA** **Works** for You

The Health Savings Account (HSA)



If your organization likes the idea of saving on healthcare costs while giving employees more control over their own healthcare decisions and funding, an HSA could be a smart choice for you.

HSA Advantages

Savings. An HSA paired with a low cost, high-deductible health plan is an excellent way for your organization to save premium dollars. In fact, the premium savings can be so significant that you can use some of those funds as seed money for the employee health savings accounts. Your employees benefit as well because they can use their HSA funds for immediate medical expenses or for long-term savings. Nicknamed the “healthcare IRA,” an HSA allows unused funds to roll over from year to year and bear interest.

Another great feature with HSAs is the tax savings, both for you and for your employees. As the employer, any money you contribute to the accounts, either from your general assets or via employee payroll deductions, is exempt from payroll taxes. Any money your employees contribute is exempt from income taxes.

Flexibility. HSAs offer enormous flexibility with contributions, funding, and the use of funds. Even better, they take you out of the decision-making process and allow your employees to decide how best to spend their healthcare dollars.

Value. When you choose an HSA, it’s more than just an innovative way to approach healthcare. It can become a valuable employee benefit that, like a 401(k), allows your employees to invest in the future.

Convenience. Our partnership with HSA Bank allows us to offer not just an HSA and an eligible health plan, but also an integrated banking arrangement. If you choose, we can make it very easy for you by providing everything you need in one neat little package.

How HSAs work as an employee benefit

Taking advantage of an HSA requires two components: a qualifying high-deductible health plan, and a bank account with a qualified HSA trustee.

The health plan. Government regulations define what qualifies as a high-deductible health plan (HDHP) for HSA purposes.

- The minimum allowable annual deductible is currently \$1,200 for self-only coverage and \$2,400 for family coverage. The government may increase these amounts in future years.
- The annual out-of-pocket limit may not exceed \$5,950 for self-only coverage or \$11,900 for family coverage, including deductibles, for in-network benefits. (There is no restriction on out-of-network benefits.) These amounts are also indexed for inflation and could increase in future years.
- All other covered benefits except for preventive care must be subject to the deductible.

The HSA bank account. An HSA works just like most other bank accounts, except that account funds are intended to be used for medical expenses. HSA trustees are typically banks, and most offer access to account funds via debit cards and checks. Deposits can usually be made by payroll deduction through the employer, by electronic transfer from another bank account, or by submitting a check and deposit slip. Account balances earn interest, and online account access is often available.

Many HSA trustees, including our partners, HSA Bank and Umpqua Bank, also offer investment options for HSA accounts. Used wisely, this feature can not only help your employees pay for current health expenses, but also save for the future, much like a 401(k). Through our partnership with HSA Bank, account holders can choose to invest their funds in a wide range of stocks, bonds, and mutual funds.

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HSA contributions. As an employer, you can contribute funds to HSAs for your employees, or your employees can contribute, or both of you may. It's up to you. However, regardless of who contributes the money, the account belongs to the person for whom it is set up, not the employer.

Whatever you decide, there is a maximum annual contribution: \$3,050 for singles and \$6,150 for families (indexed for inflation). For employees over age 55, there is also a provision that allows catch-up contributions.

To receive or make HSA contributions, the account holder must:

- Have insurance coverage under a qualified high-deductible health plan;
- Not be enrolled in Medicare;
- Not have coverage under another health plan, such as a spouse's plan; and
- Not be claimed as a dependent on someone else's tax return.

Using account funds. HSAs offer great flexibility in use of the account funds. Account holders can use their funds to pay for care while they're meeting their deductible, or for qualified health-related expenses that aren't covered by their high-deductible health plan, such as dental care, vision services, and over-the-counter medications. Regulations allow HSA funds to be used for any IRS Section 213-allowable expense that's not otherwise reimbursed. And remember, unused balances may build up from year to year and earn tax-free investment income.

HSA funds can also be used for certain types of insurance premium, including long-term care coverage, COBRA coverage, health insurance while unemployed, Medicare parts A and B, Medicare HMO, and employer-sponsored retiree health plans. Funds can even be used for non-qualified medical expenses, subject to income tax and a 10 percent excise tax for those under age 65.

Conveniently, there is no need to request reimbursement or submit receipts with an HSA. Account holders can simply use their HSA debit card to pay for healthcare services at the point of sale. They may also pay for services by other means and reimburse themselves later by withdrawing or transferring money from their HSA. It is the responsibility of the account holder to use the account funds appropriately and keep records for tax purposes. In the event of an IRS income tax audit, the account holder must be able to reconcile all HSA transactions with their income tax filing.

Is an HSA the right choice?

If you answer yes to any of the following statements, you might want to consider a health reimbursement arrangement (HRA) instead:

- I'm not sold on the idea of a high-deductible health plan. I want the freedom to choose whatever health plan works best for my organization.
- I'd like to decide what should—and should not—be reimbursable from the spending account.

- It's important that my company retain control of funds contributed for employee spending accounts.

Ready to try an HSA?

Now that you know how it works, you're ready to decide the specifics about your PacificSource HSA-eligible plan:

Choose a qualified high-deductible health plan. All of our Preferred HSA plans come equipped to combine with an HSA. Our plans feature annual deductibles ranging from \$1,500 to \$5,000 for single coverage.

Choose your optional benefits. The HSA-eligible high-deductible health plans are designed to provide coverage in the event of a major illness or injury. However, you have the opportunity to enrich your health plan with any of these optional benefits while still achieving HSA eligibility:

- Prescription drug coverage—subject to deductible
- Alternative and chiropractic care—covered subject to the deductible
- Dental coverage—any PacificSource plan, including low-cost options
- Vision care—any PacificSource plan
- Additional accident coverage—the first \$500 of covered expense within 90 days of an accident is paid at 100 percent and is not subject to the deductible.

Select an HSA trustee to administer your employees' accounts. Our recommended HSA banking partners are HSA Bank and Umpqua Bank, recognized experts in the field. They offer streamlined enrollment process and low account fees. They will administer the health savings accounts for your employees, and will issue debit cards for convenient access to HSA funds. Your insurance agent can help you get started, or you can find information online at HSABank.com and UmpquaBank.com.



Bend: 541.330.8896 • 888.877.7996
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