Advanced ACA-Compliant Planning Techniques

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## Glossary of Acronyms

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Where Do You Begin?
COST SAVINGS SOLUTIONS REMAIN KEY

- Health care reform does not address one of the main problems with health care—rising cost
- Engaging consumers will lead to a change in behavior which will lead to a reduction in cost
  - Flexible Spending Accounts (FSA)
  - Health Reimbursement Arrangements (HRA)
  - Health Savings Accounts (HSA)
Today’s Agenda

- FSA, HRA, HSA Review
- Cafeteria plan, HRA and HSA eligibility rules
- Cafeteria Plan Design Strategies
- HRA Plan Design Strategies
- Stretch any size benefit budget using FSA, HRA and HSA together
FSA, HRA, and HSA Review
Section 125 Rules in General

- Cafeteria plans are primarily governed by Code § 125 and Proposed Treasury Regulation §§ 1.125-1 through 1.125-7*
- Pre-tax salary reductions
  - Pretax Insurance Premiums or Premium Only Plans (POP)
  - Health Flexible Spending Accounts (Health FSAs) have some additional requirements under Code §§ 105 and 106
  - Dependent Care Assistance Plans (DCAPs) have requirements under Code § 129
  - Pretax contributions can be made to a Health Savings Account (HSA) under these plans; additional requirements are outlined under Code § 223
  - These Proposed Treasury Regulations will be finalized????*
Types of FSAs

- GENERAL-PURPOSE HEALTH FSA
- LIMITED-PURPOSE HEALTH FSA
- POST DEDUCTIBLE HEALTH FSA
- DEPENDENT CARE FSA
- INDIVIDUAL PREMIUM ACCOUNT "FSA-LIKE"
Types of FSAs

• Characteristics shared by all Health FSA Types
  – Health FSAs are self-insured medical reimbursement plans under Code § 105(h) and a written plan is required
  – Employer/plan administrator establishes the maximum amount that can be contributed to the plan for the Plan Year
  – Uniform Coverage rules apply
  – Use it or Lose it Applies (New $500 Health FSA Rollover if adopted)
  – Stand-alone Health FSAs that are non-excepted benefits cannot satisfy the market reforms under the Affordable Care Act and cannot be offered for plan years renewing or beginning in 2014
What is a FSA?

General Purpose Health FSAs

- Health FSAs permit reimbursement of medical care expenses permitted under IRS guidelines
- Any expense deemed eligible under IRC § 213(d)
- Subject to the employer/plan sponsor’s plan design
Types of FSAs

Limited Health FSAs

• Health Savings Account (HSA) compatible Health FSAs permit reimbursement of only dental, vision and preventive care expenses permitted under IRS guidelines

• Stand-alone Health FSAs that are non-excepted benefits cannot satisfy the market reforms under the Affordable Care Act and cannot be offered for plan years renewing or beginning in 2014
  – These accounts may be further restricted to vision and dental only and may be considered excepted benefits
  – Consult with your attorney or plan advisor

• These avoid the stand-alone FSA issue since the participant must be in the group health plan to be HSA eligible
Types of FSAs

Post Deductible Health FSAs

• Health Savings Account (HSA) compatible Health FSAs permit reimbursement of only dental, vision and preventive care expenses permitted under IRS guidelines until the participant can certify that he/she has met the required minimum HSA deductible.

  2014: $1250 Single and $2500 Family
  2015  $1300 Single and $2600 Family

• Can be confusing to the participants to determine when dental and vision expenses are eligible and when all expenses are eligible

• These Health FSAs are integrated with a group health plan to be HSA compatible so they avoid the stand-alone FSA issue
Types of FSAs

Dependent Care FSA

- § 129 dependent care plan rules
- Reimbursement for work-related expenses for custodial care of qualifying individuals under the age of 13 unless the individual is unable for self-care
- Uniform Coverage rules do not apply
- Use or lose it rules apply (Rollover does not apply)
- § 129 Limits on reimbursement amount lesser of:
  - $5,000 ($2,500 married filing separately), or
  - Earned income of the employee, or
  - Earned income of the spouse, or
  - $250/$500 deemed income for full-time student spouse or disabled

Caution: DCAP limits are calendar year for income tax schedules. Be careful of non-calender year DCAP plans that cross calendar years.
Types of FSAs

Individual Premium Account ("FSA Like")
- Tax free reimbursement of eligible insurance premium expenses (except medical insurance)
  - Cannot integrate Individual Premium Accounts with individual medical policies
    - IRS Notice 2013-54
- Does not impact Health Savings Account (HSA) compatibility
- Uniform Coverage rules do not apply
- Use it or Lose it Applies (Rollover does not apply)
What is an HRA?

Health Reimbursement Arrangements (HRA)

- Internal Revenue Code § 105
- 100% **employer** self-funded medical plan
- No **employee** contributions allowed
- HRA participation is contingent on participation in employer sponsored medical plan (IRS Notice 2013-54)
- IRS Notice 2002-45 and Revenue Ruling 2002-41
- May permit (not required) carryovers of unused amounts and/or spend down of unused balances at termination or retirement
- Also may be known as 105 plans, medical expense reimbursement plan (MERPs), Personal Care Accounts, etc.
What is an HRA?

Health Reimbursement Arrangements (HRA) continued

• Internal Revenue Code § 213(d) expenses (health, dental, and vision) may be eligible for reimbursement
  • ACA 2011: Dr’s Rx required for OTC medications (except insulin).
• HRA may be limited to certain expenses or certain categories of expenses
• Restricted by plan design
• Claims substantiation required—claims police!
• Unused balances cannot be converted to cash
• Cannot name a beneficiary (forfeit upon death if no surviving spouse or tax dependents)
• Account is not portable; however, HRA is subject to COBRA
Types of HRAs

Limited HRAs
- Health Savings Account (HSA) compatible HRAs permit reimbursement of only dental, vision and preventive care expenses permitted under IRS guidelines

Post HSA Deductible HRAs
- Health Savings Account (HSA) compatible HRAs permit reimbursement of only dental, vision and preventive care expenses permitted under IRS guidelines until the participant can certify that he/she has met the required minimum HSA deductible
- Health Savings Account (HSA) compatible HRAs permit reimbursement only after at least the required minimum HSA deductible has been satisfied. Accomplished through plan design

2014: $1250 Single and $2500 Family
2015 $1300 Single and $2600 Family
What is a HSA?

Health Savings Account (HSA)

• Internal Revenue Code Section 223
  – IRA-type accounts that individuals, covered by a qualified high deductible health plans (HDHP), can establish after January 1, 2004 to pay for medical expenses.
  – Eligible Individuals cannot be covered by another plan that is not a qualified HDHP, including flexible spending accounts, MSA, and HRA plans
  – Exception: Coverage for accident, disability, dental, vision, and long-term care, or for specified diseases are permissible
  – No first dollar coverage (i.e., RX drug plans with co-pays) permitted for anything other than preventive care. Preventive care includes items such as annual physicals and wellness type tests and visits. No drug card.
  – Individually owned HSA accounts are required to rollover unused balances from year to year and may earn interest tax-free
Cafeteria plan, HRA and HSA Eligibility Rules
Who is Eligible to Participate?

Individuals Eligible to Participate in a Cafeteria Plan:

- Current and former common-law employees;
  - Spouses and dependents—may have coverage under the eligible employee
  - Cafeteria plan cannot be established primarily for former employees
  - Retirees cannot use qualified retirement plan distributions to pay for medical coverage on a pre-tax basis through a cafeteria plan Rev. Rul. 2003-62.
- Controlled group member employees
Who is Not Eligible to Participate?

Individuals who are not eligible to participate in a Cafeteria Plan

• Self-employed individuals as defined in Code §401(c); Prop. Treas. Reg. §1.125-1(g)(2)(i)
  – Sole proprietors, partners in a partnership and more than 2% shareholders of a Subchapter S-Corporation (including their family members of lineal ascent and descent)

Note: Unlike the more than 2% Subchapter S owner rules, the family members of sole proprietors and partners can participate in a cafeteria plan maintained by the partnership or sole proprietorship
Who is Eligible to Participate?

Individuals who are eligible to participate in a Health Reimbursement Arrangement (HRA)

- Current and former common law employees
  - Full-time or part-time employees; coordinate with eligibility for insurance
    - E.g., Participants in employer-sponsored health plan
  - Spouses and dependents—may have coverage under the eligible employee
  - Former employees or employees no longer eligible can spend down accumulated HRA funds
- Retirees
Who is Eligible to Participate?

Treasury FAQ 1/24/13

Compliance of Health Reimbursement Arrangements with Public Health Service Act (PHS Act) section 2711

.....The preamble distinguished between HRAs that are “integrated” with other coverage as part of a group health plan and HRAs that are not so integrated (“stand-alone” HRAs). The preamble stated that “[w]hen HRAs are integrated with other coverage as part of a group health plan and the other coverage alone would comply with the requirements of PHS Act section 2711, the fact that benefits under the HRA by itself are limited does not violate PHS Act section 2711 because the combined benefit satisfies the requirements.” (75 FR 37188, at 37190-37191).

An HRA is not considered integrated with primary health coverage offered by the employer unless, under the terms of the HRA, the HRA is available only to employees who are covered by primary group health plan coverage provided by the employer and meeting the requirements of PHS Act section 2711. (no annual or lifetime limits)
Who is Not Eligible to Participate?

Individuals who are **not eligible** to participate in a Health Reimbursement Arrangement.

- Self-employed individuals as defined in Code §401(c); Prop. Treas. Reg. §1.125-1(g)(2)(i).
  - Sole proprietors, partners in a partnership and more than 2% shareholders of an S Corporation (including their family members of lineal ascent and descent)

**Note:** Unlike the more than 2% Subchapter S owner rules, the family members of sole proprietors and partners can participate in a cafeteria plan maintained by the partnership or sole proprietorship
Who is Eligible to Participate?

Individuals who are eligible to participate in a Health Savings Account (HSA)

HSA eligibility is determined on a monthly basis

- Must be covered under a qualified High Deductible Health Plan (HDHP) and not entitled to (enrolled in) Medicare
- Eligible Individuals cannot be covered by another plan that is not a qualified HDHP, **including Health FSA (Limited Health FSA is okay), MSA, and HRA that reimburses prior to satisfaction of the minimum HDHP deductible.**
- Exceptions: Coverage for accident, disability, dental, vision, preventive care and long-term care, or for specified diseases are permissible
- An eligible individual is **any taxpayer** including sole proprietors, partners, members of LLC, and S Corp shareholders and family
Cafeteria Plan Design Strategies
Cafeteria Plan Design Strategies

- Offer additional pay if no health benefits available to anyone
  - Taxable as wages
- No spousal medical coverage
- Cash in lieu of health insurance
  - Must be in your cafeteria plan
- Employer contributions to cafeteria plan
  - Elective contributions
  - Non-elective contributions
  - Cashable contributions
Cafeteria Plan Design Strategies

• **Employer Contributions-Elective Contributions**
  
  – Some employers provide flexibility in their plan design to allow employees an opportunity to choose which benefits the employer’s contribution is used for (e.g., insurance, health care and/or dependent care FSA)
  
  – The amount of the employer elective contribution that the employee allocates to the Health Care FSA is **not included in the employee’s pre-tax election maximum**.

• If a mid-year event occurs, the employer’s contribution and any pre-tax amount elected by the employee are subject to the permitted election change rules
Cafeteria Plan Design Strategies

• Employer contributions-Elective Contributions (continued)
  – The amount of the employer elective contribution that the employee allocates to the Dependent Care FSA or IND account is included in any maximum that applies to the account
  • If a mid-year event occurs, the employer’s contribution and any pre-tax amount elected by the employee are subject to the permitted election change rules
Cafeteria Plan Design Strategies

• Employer Contributions-Non-Elective Contributions
  – Some employers choose to make contributions to the reimbursement accounts (e.g., Health Care FSA, Dependent Care FSA). If the employer contribution can only be applied to one of the accounts (e.g., only to the Health Care FSA), the contribution is a non-elective employer contribution and the following rules apply to these employer contributions:
    • When the employer contribution can only go to the Health Care FSA, the employer’s contribution is **not included in the employee’s pre-tax election maximum.**
    • If a mid-year event occurs, the employer’s contribution does not change unless the employee gains or loses eligibility for the contribution (e.g., the employer only contributes if the employee is not enrolled in the health insurance and the employee enrolls in the health plan mid-year or drops the health insurance mid-year). Any pre-tax amount elected by the employee is subject to the permitted election change rules.
Cafeteria Plan Design Strategies

• Employer Contributions-Non-Elective Contributions (continued)
  – When contributed only to the Dependent Care FSA or IND account, the employer’s contribution is included in any maximum that applies to the account. The employer’s contribution only changes if the employee gains or loses eligibility for the contribution.
Cafeteria Plan Design Strategies

• Employer Contributions-Cashable Contributions
  – The employer may even provide a “flex credit” contribution that can be used for any benefits elected and allow additional unused dollars to be taken as taxable cash if the employee does not elect to spend all of the employer contributions on qualified benefits. These contributions are treated as cashable employer contributions and the following rules apply:
    • The amount of the employer cashable contribution that the employee allocates to the Health Care FSA is included in the employee’s pre-tax election maximum.
    • If a mid-year event occurs, the employer’s cashable contribution and any pre-tax amount elected by the employee are subject to the permitted election change rules.
Cafeteria Plan Design Strategies

• Employer contributions-Cashable Contributions (continued)
  – The amount of the employer cashable contribution that the employee allocates to the Dependent Care FSA or IND account is included in any maximum that applies to the account.
  • If a mid-year event occurs, the employer’s cashable contribution and any pre-tax amount elected by the employee are subject to the permitted election change rules.
Cafeteria Plan Design Strategies

ACA Market Reforms for Health FSAs

– For employers that do not offer a group medical plan or for those not eligible for a group medical plan through their employer, Health FSA is not an option.

– Possible to be eligible for employer sponsored group medical and decline coverage and still be eligible to participate in Health FSA because you meet eligibility criteria for the employer sponsored group medical.
Cafeteria Plan Design Strategies

IRS Notice 2013-54 *Elimination of Stand Alone Health FSAs*

Application of the Market Reforms to Certain Health FSAs

- **Question 7:** How do the market reforms apply to a health FSA that does not qualify as excepted benefits?
- **Answer 7:** The market reforms do not apply to a group health plans that are excepted benefits. Health FSAs are group health plans but will be considered to provide only excepted benefits if the employer also makes available group health plan coverage that is not limited to excepted benefits and the health FSA is structured so that the maximum benefit payable to any participant cannot exceed two times the participant’s salary reduction election for the health FSA for the year (or, if greater, cannot exceed $500 plus the amount of the participant’s salary reduction election).

- If an employer provides a health FSA that does not qualify as excepted benefits, the health FSA generally is subject to the market reforms, including the preventive services requirements. **Because a health FSA that is not excepted benefits is not integrated with a group health plan, it will fail to meet the preventive services requirements.**
Cafeteria Plan Design Strategies

Review: Non-excepted Health FSA

- Many of the ACA provisions only apply to a health FSA if it is a non-excepted benefit
- Must refer to the HIPAA regulations
- Most health FSAs are “Excepted Benefits”
  - **Meet two conditions to be excepted benefits:**
    - Maximum Benefit Condition
    - Availability Condition
Cafeteria Plan Design Strategies

• **Review: Non-exceptioned Health FSA** *(continued)*

• **Maximum Benefit Condition**
  – Health Care FSA annual election cannot exceed two times the employee’s salary reduction for the plan year, or if greater, the amount of the employee’s salary reduction election for the Health Care FSA, plus $500
    • Means, if employer contributes more than $500, employee must match or exceed

• **Availability Condition**
  – Participants with Health Care FSA coverage must also have other group health plan coverage available during the plan year from the employer
    • Means, employer must offer a group medical plan to the employee when the employee elects the health FSA
Cafeteria Plan Design Strategies

Elimination of Stand Alone Health FSA

• Examples of Health FSAs that are ok
  – Health FSA integrated with employer’s major medical plan
  – Health FSA that provides an employer contribution that is less than $500 per plan year
  – Health FSA that provides an employer contribution only to those employees who participate in the employer sponsored medical plan
  – Health FSA that provides an employer contribution that is a matching contribution
  – Health FSA that provides an employer contribution that can be cashed out if not used on cafeteria plan benefits
Cafeteria Plan Design

*Elimination of Stand Alone Health FSA (continued)*

- **Examples of health FSAs that are not ok**
  - ✓ Health FSA available to all employees, even those who are not eligible for the employer sponsored medical plan
    - ✓ Check your eligibility definitions in your cafeteria plans
    - ✓ Effective with the plan that renews in 2014
  - ✓ Health FSA for § 213(d) general expenses is offered when employer does not sponsor a medical plan
  - ✓ Health FSA that provides an employer contribution that is greater than $500 per plan year that causes the health FSA to be a non-excepted health FSA
HRA Design Strategies
HRA Design Strategies

Treasury FAQ 1/24/13

Compliance of Health Reimbursement Arrangements with Public Health Service Act (PHS Act) section 2711

.....The preamble distinguished between HRAs that are “integrated” with other coverage as part of a group health plan and HRAs that are not so integrated (“stand-alone” HRAs). The preamble stated that “[w]hen HRAs are integrated with other coverage as part of a group health plan and the other coverage alone would comply with the requirements of PHS Act section 2711, the fact that benefits under the HRA by itself are limited does not violate PHS Act section 2711 because the combined benefit satisfies the requirements.” (75 FR 37188, at 37190-37191).

An HRA is not considered integrated with primary health coverage offered by the employer unless, under the terms of the HRA, the HRA is available only to employees who are covered by primary group health plan coverage provided by the employer and meeting the requirements of PHS Act section 2711. (no annual or lifetime limits).
HRA Design Strategies

*Elimination of Annual and Lifetime Coverage Limits*

- **HRAs that can have a limit**
  - HRA integrated with employer’s major medical plan
  - HRA that reimburses only dental or vision expenses
  - HRA that only covers retirees or former employees (either annual funding or spend-down account)*

- **Examples of HRAs that cannot have a limit**
  - Non-integrated HRA that reimburses all Section 213(d) expenses for active employees
  - Non-integrated HRA that reimburses individual insurance premiums for active employees

- IRS Notice 2013-54 appears to allow spend down account for active employees

- HRAs integrated with medical plan must have an annual opt out
HRA Plan Design Strategies

• HRA with High Deductible Health Plan
  • First dollar reimbursement or should employee pay some out of pocket?
  • What expenses are eligible? Deductible only, co-insurance only, etc.

• HRA in correlation with Cafeteria Plan
  • First dollar reimbursement or should employee pay some out of pocket?
  • What expenses are eligible? Deductible only, co-insurance only, etc.
  • Which plan pays first?

• HRA in correlation with Cafeteria Plan (FSA) that includes an HSA
  • Limited-Purpose Health HRA
  • Post-Minimum HDHP Health HRA
HRA Plan Design Strategies

- Offer employee only reimbursement
- Offer same flat dollar per employee to cover an aggregate of expenses for employees and/or any eligible tax dependents
- Offer separate schedule of reimbursement in correlation with different tiers of insurance coverage

For example:
$500 \times 1 = $500  \text{ Single} \\
$500 \times 2 = $1000 \text{ Limited Family} \\
$500 \times 3 = $1500 \text{ Family}

- Retiree only reimbursement
- You can order the HRA or the FSA to pay first based on plan documents and plan design (otherwise HRA pays first)
HRA Plan Design Strategies

- HRA funds available up front vs. pro rata each month
- Possible to reimburse full annual contribution up front but not required
- No Uniform Coverage Rules*
- “Promise to pay” vs. trust account
- Use or lose by design but not required
- Carryover permitted but not required *
- Monetary wellness incentives added to HRA balance for those that complete health risk appraisals or other wellness program activities
- *Different than Health Care FSA
Stretch any size benefit budget using FSA, HRA and HSA together
Advanced Plan Design Techniques

“Vanilla” benefits are a thing of the past

- Benefit plan designs are getting more complex
- More stacking of tax advantaged plans
  - FSA and HRA
    - Health Care FSA with HRA that self-insures part of the health plan deductible
  - FSA and HSA
    - Limited Health FSA compatible with HSA
  - FSA and HSA and HRA
    - Limited Health FSA, HSA and Post HSA Deductible HRA
Advanced Plan Design Techniques

**FSA and HRA:** Health Care FSA with HRA that self-insures part of the health plan deductible

**Example:**

Employer’s HDHP deductible is $2,500/single, 2 x $2,500 ($5,000) per family. Deductible is embedded. Insurance pays 100% after deductible is satisfied.

**HRA design:**

**Single plan:** First $500* employee responsibility, remaining $2,000 paid 100% by HRA

**Family plan:** First $500* (up to 2 x $500 per family) employee responsibility, remaining $2,000 x 2 ($4,000) paid 100% by HRA

*The $500 share of the deductible per person that is the employee responsibility is eligible under the Health Care FSA if the employee elected to participate. (Remember: No double dipping for dollars already reimbursed by the HRA.)
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• How to avoid health savings account headaches
  • Make sure you have the appropriate HSA compatible High Deductible Health Plan (HDHP). Not all HDHP are HSA compatible.
    ◦ Spousal benefit plans (including health FSA) may disqualify you!
  • Make sure employees understand that there is no first dollar coverage on office visits and Rx. All expenses go towards satisfying the HDHP deductible.
  • Note: Paying your current HDHP medical premiums pre-tax through a cafeteria plan does not effect HSA eligibility.
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• How to avoid health savings account headaches

• **TIMING IS EVERYTHING!**
  • Set your Section 125 Plan renewal to coincide with the health insurance plan renewal or amend at renewal to sync
  • Changes made to a health insurance plan during an active Section 125 Plan year **will not constitute** a qualifying event that permits changes to the Health FSA
  • If you are planning to fund the HSA pre-tax through the cafeteria plan, the plan document must be amended to add this benefit
  • 2 ½ month grace period adopted as part of cafeteria plan may cause HSA eligibility problems until the start of the first full month following the grace period
  • Health FSA Rollover may cause HSA eligibility problems for entire plan year
Advanced Plan Design Techniques

• How to avoid health savings account headaches

Year end transition to HDHP and HSA

If employer does offer the grace period*

• Participants that have a $0 Health Care FSA balance on last day of plan year can begin contributing to the HSA on first day of new plan year

• Participants with a Health Care FSA balance at year end must wait until end of run-out period to begin making contributions to the HSA (1st of the month following end of Grace Period)

• Employer can amend the current plan to remove Grace Period prior to year end and all participants can make HSA contributions starting with new year

* IRS Notice 2005-86
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• How to avoid health savings account headaches
  
  **Year end transition to HDHP and HSA**
  
  **If employer does offer the grace period***
  
  **Additional option***
  
  – Convert all Health Care FSAs to Limited or Post Deductible Health Care FSAs during the grace period
    
    • Cannot be a choice to participants
    
    • Challenges for those who do not have dental or vision expenses – could result in forfeitures
  
  – Requires amendment, effective last day of plan year, to convert to Limited or Post Deductible Health Care FSA

* IRS Notice 2005-86
Advanced Plan Design Techniques

• How to avoid health savings account headaches

  **Mid-year adoption of HDHP with HSAs**

• **Example:** Employer offers a calendar year Cafeteria Plan but the health insurance renews on August 1

  ✓ **Employer currently offers an HMO but will offer an HDHP on August 1 with an HSA**

  ✓ **Employer has many employees enrolled in the Health Care FSA**

• What are the employer’s options?
Advanced Plan Design Techniques

• How to Avoid Health Savings Account Headaches

*Mid-Year adoption of HDHP with HSAs*

Informal IRS guidance March 2005

**Option 1:**

– Convert all participants to a Limited or Post Deductible Health Care FSA on August 1

  ✓ Expenses incurred after August 1 can only be for dental or vision
  ✓ Participants may forfeit money if they do not have enough dental or vision care needs
  ✓ All employees can start making HSA contributions August 1
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• How to avoid health savings account headaches

Mid-year adoption of HDHP with HSAs

Option 2:
  – Do not convert Health Care FSA
  – Participants who are enrolled in the Health Care FSA cannot contribute to the HSA
    ✓ Cannot revoke Health Care FSA since change to HDHP is a coverage change
    ✓ May begin contributing on January 1 if their account balance is $0 or the grace period is not present
    ✓ If the grace period is present and there is an account balance, the participant can begin contributing to an HSA on April 1 of the next plan year (1\textsuperscript{st} of the month following grace period)
Advanced Plan Design Techniques

• How to avoid health savings account headaches

Mid-year adoption of HDHP with HSAs

Option 3:

– Plan ahead

✓ Run a short plan year in the BESTflex Plan to make it match the health insurance plan year (e.g., 1/1 – 7/31)

✓ Requires that employer anticipates change to HDHP with HSAs prior to BESTflex Plan renewal on January 1 so amendment can be made for short plan year, or

✓ Then, year end transition issues apply
Advanced Plan Design Techniques

• How to avoid health savings account headaches

Caution: General Health FSA and/or HRA participation (regardless of balance available in their account(s)) may disqualify employees from receiving or contributing to an HSA

Work around (amendments may be required):

- **Limited Health FSA** (dental, vision, preventive care) to preserve HSA eligibility and maximize tax savings

- **Possible to have both a General Health FSA and Limited Health FSA in the same plan;** elect one or the other at the beginning of the plan year.

- **Post Minimum HDHP Deductible Health FSA** (expenses limited to dental, vision, preventive care until the minimum required statutory HDHP deductible has been satisfied, then general expenses are eligible)
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• HSA Compatible HRAs

Example:
Employer’s HDHP deductible is $2,500/single, $5,000/family aggregate; 100% thereafter

HRA design:
Single plan: first $1,250* employee responsibility, remaining $1,250 paid 100% by HRA
Family plan: first $2,500* employee responsibility, remaining $2,500 paid 100% by HRA

*2014 minimum HDHP deductible. Note: Family minimum deductible is aggregate amount for family. This might be met by one person depending upon family circumstances.
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• HSA Compatible HRAs + Post HSA Deductible Health FSA

Example:

Employer’s HDHP deductible is $2,500/single, $5,000/family aggregate; 80/20 coinsurance thereafter

HRA design:

Single plan: first $1,250 employee responsibility, remaining $1,250 paid 100% by HRA
Family plan: first $2,500* employee responsibility, remaining $2,500 paid 100% by HRA

Employee could elect up to $2,500 in a Post-HSA Deductible Health FSA

Health FSA Reimbursement would be restricted to dental, vision and preventive care until employee certifies that they have met the minimum HDHP deductible. After that they can claim any expenses not paid by the HRA (coinsurance and copays). Greater tax advantage for those with lots of out of pocket expenses or can be used as a way to conserve HSA balances.

*2014 minimum HDHP deductible. Note: Family minimum deductible is aggregate amount for family. This might be met by one person depending upon family circumstances.
Summary

- FSA, HRA, HSA Review
- Who can participate in FSA, HRA and HSA varies
- Affordable Care Act impact on plan design for FSA, HRA and HSA
- Cafeteria Plan Design Strategies
- HRA Plan Design Strategies
- Stretch any size benefit budget using FSA, HRA and HSA together
Questions?

Thank you for attending!!