A Beginner's Guide to HSAs | For Employers

Offer employees health care spending and saving independence

If you offer a qualified High-Deductible Health Plan (HDHP), then choosing a trusted benefits administrator is the next step to take towards providing employees pre-tax savings on everyday healthcare expenses with a Health Savings Account (HSA).

Employers can save on taxes too. When your employees use an HSA and fund it through payroll, employers save FICA and other taxes (depending on the state regulations).

Here are some key questions to help you determine if adding an HSA is right for your company:

Are my employees qualified for a HSA?
To be HSA-eligible, they must be enrolled in a HDHP and cannot be covered by another non-qualifying health plan, such as Medicare or Medicaid, and must not be claimed as a dependent on someone else's tax return.

What can employees use an HSA to pay for?
HSA funds can pay for deductible and other out-of-pocket expenses associated with the HDHP, and even some medical expenses that are not covered by the HDHP. Plus, these funds can even be used for eligible dental and vision related costs!

The IRS has established guidelines on what this includes, you can find it here (https://www.irs.gov/uac/about-publication-969). However, to make things easier, we at Flexible Benefit Service Corporation (Flex) have created a common expense list (http://www.flexiblebenefit.com/individuals/resources/eligible-expenses?field_eligible_account_value=HSA&combine).

What happens to my contribution if employees don't spend it?
It's your employee's money. Even when you, the employer, contribute to the account, the money will be your employee's to keep as the accountholder and they control how it is spent.
Think of it as a "Use-it or Keep-it" account. HSA balances roll-over from one year to the next.

How can HSAs benefit my employees?

Pre-tax savings. HSAs allow your employees to set aside money pre-tax for planned or unplanned healthcare expenses.

It's a family affair. Employees can use it to pay for eligible expenses for their spouses and dependents too. The whole family (as long as they are your employee's tax dependents) can benefit from your HSA even if they aren't covered by a high deductible health plan.

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Potential to save even more. Their account balance earns interest and may be invested.

Additional security for retirement. Unlike a Traditional IRA or 401(k), their money will not be taxed if it is used for qualified healthcare expenses in retirement.

HSA Limits

The IRS updates HSA limits annually to refect cost-of-living adjustments. Here are the numbers for 2020 and 2021:

2020	2021
PLAN DESIGN (Minimum Deductible)	
$1,400 / Individual $2,800 / Family	$1,400 / Individual $2,800 / Family
OUT-OF-POCKET (Maximum)	
$6,900 / Individual $13,800 / Family	$7,000 / Individual $14,000 / Family
CONTRIBUTIONS (Maximum)	
$3,550 / Individual $7,100 / Family $1,000 Catch-up*	$3,600 / Individual $7,200 / Family $1,000 Catch-up*

**If you are 55-65 years of age, you can make an additional "catch-up" contribution.*

Note regarding asterisk above: You can contribute an additional "catch-up" contribution if you are age 55 or older and meet the HSA eligibility criteria. This includes people that are covered by a qualified high deductible health that are over age 65 and who have not yet enrolled in Medicare.

Flex is here to help you get your HSA benefit offering set-up and running smoothly.

Learn more at flexiblebenefit.com

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