



## The right fit?

Employers of all sizes may be interested in HealthDirect HSA as a strategy for controlling healthcare costs while empowering employees to manage their healthcare decisions.

- Employers preferring to offer a richer benefit plan to attract and retain employees may choose to fund most of the HSA.
- Employers focused on quickly reducing their healthcare benefit costs may choose to fund very little of the HSA.

Highly compensated employees who can make maximum contributions to their HSA may find HSAs of particular value as a pretax savings vehicle. Lower paid workers may find that an HSA enables tax-efficient healthcare spending.

# CBSA HEALTHDIRECT<sup>SM</sup> HSA

## Overview

The Health Savings Account (HSA) is paired with a Qualified High Deductible Health Plan (HDHP) and always includes a debit card and checks that can be used to access HSA funds.

To be considered qualified, the HDHP must meet legally defined minimum deductible and maximum out-of-pocket amounts. In addition, no first dollar benefit levels (100% after copay; no deductible) are allowed, with the exception of preventive care.

The HSA can be used to reimburse eligible medical expenses that haven't been paid under the medical plan. Those expenses include:

- Services aligned with the medical plan – deductibles, copays for preventive care, coinsurance and expenses above usual and customary limits
- Services nonaligned with the medical plan – all other IRS code 213(d) expenses

**Contributions.** The employer and/or the employee may contribute to the HSA on a pretax basis. Employers may choose to fund most, little or none of the HSA.

- **The employee owns the HSA.** That means that all funds belong to the employee at the time the contribution is made and may carry over from year to year and be transferred from one employer to another.
- Unlike an HRA, employer contributions to the HSA are made in advance of when the employee incurs medical expenses. Employers may fund the account as a single lump sum or on a monthly or quarterly basis. Monthly funding is the recommended strategy because employees who terminate mid-year own all funds in the account at that time. Employer contributions are tax deductible.
- Annual HSA contributions are allowed up to certain dollar thresholds as defined by law. Since both employee and employers can make contributions, coordination is essential to avoid excess contributions and tax penalties.
- Employer contributions must be 'comparable' for all participating employees and can vary by part-time/full-time employment and single or family coverage, but not by years of service, job title, or level within the company.
- In addition to pretax payroll deductions, employees may make tax-deductible lump-sum contributions to the HSA at any time during the year, and up to April 15 of the following year (up to annual thresholds) via deposit coupons or eContribute. Pretax payroll deductions reduce the employer's gross income and employment taxes.
- Employees between ages 55 and 65 may contribute more to the account each year, until entitled to Medicare at age 65.

## Participation rules

Who qualified for an HSA? Any person who is:

- Covered under a high-deductible health plan (HDHP)
- Not covered by any other health plan that is not an HDHP (including a spouse's plan)
- Not currently enrolled in Medicare or TRICARE

Additional eligibility guidelines are defined by the U.S. Treasury.

## Investment options

Employees with HSA balances of \$500 or more may choose from 20 different mutual fund investment options.

## How HealthDirect HSA works

Here's an overview of how the disbursement, substantiation and enrollment processes work for HealthDirect HSA:

### Disbursement and substantiation processes

1. **Disbursement** – Participants may access their HSA funds to pay for qualified medical expenses by using their debit card or checks provided for this purpose. The funds will come directly out of their account. (Funds can't be accessed through ATMs.)  
  
If they have already paid for the qualified medical expenses with their personal funds, participants can be reimbursed by writing a check on their HSA.
2. **Substantiation** – Participants are responsible for substantiating all disbursements from their accounts and need to save receipts to substantiate HSA expenditures as part of their income tax filing. Disbursements for nonqualified expenses are subject to a 10% tax penalty. Automatic crossover (or claim reimbursement) is not available.

### Enrollment process

1. After the Client Profile Questionnaire has been completed, eligibility data (for all employees enrolled in the high-deductible health plan) will be transferred to U.S. Bank.
2. Employers will receive a welcome call from U.S. Bank to discuss the contribution and account set-up process and timing.
3. The employer distributes a U.S. Bank account application to eligible employees. Employees return the applications to their employer for batch delivery to U.S. Bank. Account enrollment data is transferred back to CBSA for billing purposes. Participants must complete a separate payroll deduction form to authorize their employer to deduct the elected contribution amount from their paycheck.
4. Employees who don't complete the application will receive follow-up mailings from U.S. Bank encouraging them to participate.
5. Participants will receive a **Welcome Kit** at their home address. Kits are mailed out 7 to 10 days after receipt of batched enrollment forms and include:
  - A summary of account access tools
  - Instructions on how to register their account at [healthsavings.usbank.com](http://healthsavings.usbank.com) or by calling a toll-free number
  - 6 personalized HSA checks (additional checks can be ordered for a fee)
  - 16 HSA deposit coupons (to make additional contributions)
6. Participants will receive a debit card and activation instructions in a separate mailing.