



Health Account Series – PART 3

# Hidden Challenges (and Opportunities) of HSAs



# Today's Speakers



**BECKY SEEFELDT**  
Benefit Resource  
VP of Strategy



PUBLISHED AND  
RECOGNIZED BY:



# Today's Speakers

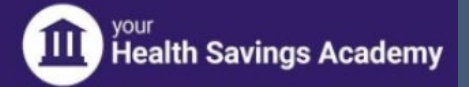


**WILLIAM G. (Bill)  
STUART**  
Health Savings Academy



[linkedin.com/in/william-stuart-hsa-guru/](https://www.linkedin.com/in/william-stuart-hsa-guru/)

## Affiliations



## Book

*Available on Amazon*



# Welcome

## Goals for this Session

1. How to ensure your HSA is recession proof
2. Hidden challenges and opportunities
3. Legislative & Regulatory Predictions

1

## HSA:

A recession-proof benefit offering

# Why HSAs are recession-resistant?

Consumers attitudes and behaviors change during recession...

Desire to reduce premium expenses

Consumers have sense of uncertainty

Focus on what is necessary

HSAs naturally align with many of these changes

- HSAs can aid it driving down premiums. Average savings with HDHP \$623 (single) and \$1,327 (family)\*
- HSAs are flexible and do not require a qualifying event to change contribution levels
- Encourage participants to engage in cost-conscious behaviors

# What participants need to know?

1

Elections can change at any time.

2

You can shift to 'pay-as-you-go' funding.

3

Existing balances are not lost and can be used to insulate the impact of economic hardships.

4

You keep what you don't spend. Look for discounts or lower cost alternatives to save.

5

Potentially a good time to consider investing (but don't invest more than you can afford to lose).

# What employers need to know?

1 Opportunity to reduce or scrutinize health plan expenses

2 Recognized approach to shift costs to employees

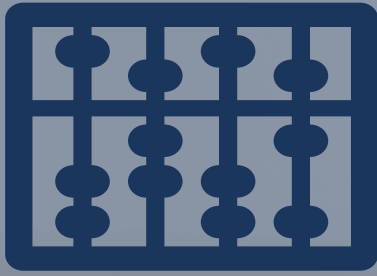
3 Consider changes to your HSA contribution strategies

4 Opportunity to augment offerings with employee-paid voluntary benefits  
(hospitalization, accident coverage, disability coverage)



2

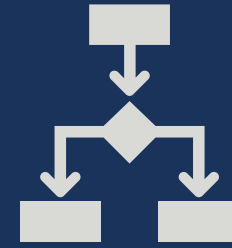
## Hidden Challenges and Opportunities for HSAs



## Eligibility Challenge

# Requirements to open and fund an HSA

1. You must be enrolled in an HSA-compatible health plan.
2. You can't have any disqualifying coverage.
3. You can't qualify as another person's tax dependent.



## Disqualifying Coverage Issues

Not all employees enrolled in an HSA-compatible health plan are eligible for an HSA

Employees can have other coverage issues:

- Coverage through spouse
- Tricare
- VA benefits
- Medicare

# Contribution Limits are Combined

- ✓ Employer
- ✓ Employee / Individual
- ✓ Third-party (treated as if contributed by the individual)

## Annual Limits for 2023

	Individual Coverage	Family Coverage
Annual Contribution	\$3,850	\$7,750
Catch-up Contribution (age 55 or older)	\$1,000	\$1,000

# Contributions are tracked monthly

$$\text{Annual Limit} \div 12 \text{ months} \times \# \text{ months covered} = \text{Contribution Amt.}$$

## ...unless the Last Month Coverage Rule is applied

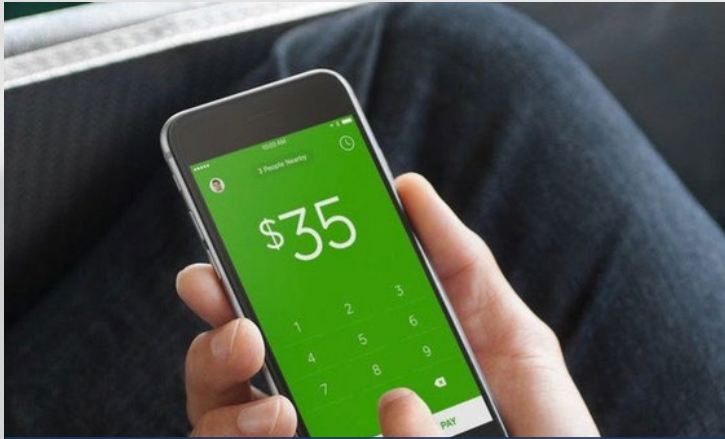
During first year HSA enrollment, the Last Month Coverage Rule

- Permits full annual limit as long as covered the last month of the year AND you maintain coverage through the end of the follow calendar year.

If coverage is not maintained...

- Contribution limits must be prorated for both calendar years.
- Any contribution above the prorated amount must be included in your taxable income and you pay a 10% penalty on that excess amount.

# HSA Participation can change throughout year.



Set-up your HSA and begin funding






Become eligible to open HSA



Change contributions at any time, for any reason

# Medicare and HSAs

Situation	<p><b>Receiving Federal Retirement Benefits</b> (i.e. social security, Federal Railroad Retirement Benefits)</p> 	<p><b>Not collecting Federal retirement benefits</b></p> 	<p><b>Delayed enrollment in Medicare</b></p> 
<p><b>Medicare Status</b></p>	<p><b>Auto-enrolled</b> in Medicare Part A</p>	<p><b>Not enrolled in Medicare.</b> Enrolled in HSA qualifying coverage</p>	<p><b>Enrollment in Medicare is retroactive</b> up to 6 months.</p>
<p><b>HSA Eligibility Status</b></p>	<p><b>Not eligible</b> to contribute to HSA</p>	<p><b>Eligible to contribute</b> to an HSA, including \$1,000 catch-up contribution</p>	<p>HSA contributions will need <b>to be prorated</b> for the months of retroactive coverage</p>
<p><b>Points to consider</b></p>	<p>HSA <b>funds can be used</b> for qualifying expenses</p>	<p><b>Start planning ahead.</b> Stop contributing to HSA 6 months prior to enrolling in Medicare.</p>	<p>You may be required to refile your taxes if you overcontributed to the HSA.</p>

# HSA in Retirement



**\$315,000**

Estimated health-related expenses for  
couple retiring at age 65 in 2022

Source: Fidelity

## What qualified expenses HSA can cover...

- Medicare premiums
- Medicare cost-sharing
  - Deductibles
  - Co-insurance
  - Copays
- Services not covered by Medicare
  - Dental
  - Vision
  - Hearing
  - OTCs
  - Drugs & medicines
  - Medical equipment & supplies

**Anything you don't use can be left  
to a beneficiary**

3

## Legislative & Regulatory Predictions for HSAs



### **INTERACTION OPPORTUNITY:**

In the questions section, submit your ideas or recommendations to improve the use of HSAs and other tax-advantaged accounts.



# Telehealth Coverage Exemption



In response to the Covid-19 pandemic, Congress temporarily allowed telehealth visits to be covered below the deductible.

This permits HSA-qualified plans to cover these services, without affecting eligibility to contribute to an HSA.

Current relief offered through 12/31/2024.



**Slight caution: Telehealth exemptions are not without their gaps.**

On two occasions the extension of this arrangement created potential gaps in how / when it was applied.

# New Guidance on Eligible Expenses

Frequently asked questions (FAQs) released by IRS on 3/17/2023 to address whether certain costs related to nutrition, wellness, and general health are medical expenses and reimbursable under FSA, HSA and HRA.

## YES

- Exams (Physical, dental, eye)
- Substance-abuse programs
- Smoking cessation programs



## YES, IF...

- Therapy (to treat diagnosed mental illness)
- Nutritional counseling or weight-loss program (if treating obesity or diabetes)
- Gym membership or exercise programs (if prescribed for physical therapy/treat an injury or if treating obesity or diabetes, hypertension)
- Cost of food for weight-loss program (with limitations and only in excess of cost of foods that would meet nutritional values)
- Cost of nutritional supplements (if recommended by medical practitioner to treat specific medical condition)

# Common Sense HSA changes

Advocacy efforts to remove technical barrier to eligibility

- Allow **Medicare beneficiaries** to participate in an HSA
- Allow people who are eligible to receive healthcare benefits from the **Indian Health Service, Tricare and VA** to participate in HSAs
- Permanently **allow limited services** to be provided prior to the deductible, such as telehealth



## Status

Bi-partisan support for many of these ideas,  
but will it be prioritized into a Bill that moves forward?

# More aggressive proposals

Limited support / Unlikely to advance



## De-coupling HSAs from insurance requirements

**Idea:** Anyone with ACA-qualified medical coverage, including traditional insurance, Medicare and Medicaid could open an HSA



## Double contribution limits

**Idea:** Increase permitted contribution limits to allow for HSA contributions up to out-of-pocket maximums.

# ■ Quiet Policy Threats to HSAs

- Administration pushing for “preferred” standardized plan designs on Federal exchanges. HSA-qualified plans do not meet the preferred standard.
- It is becoming increasingly difficult for HSA plans to meet the actuarial value requirements for plans available through Federal Exchanges.
- State lawmakers and regulators are proposing mandated coverage for certain benefits that would disqualify that state’s plans from being HSA-qualified.



# Quick Recap



## 1. How HSAs can adapt during recession

1. Contributions can change at any time
2. Savings opportunities for participants and employers
3. Shift focus to what is needed

## 2. Hidden challenges and opportunities

1. Contribution considerations
2. Medicare and HSAs

## 3. Legislative Predictions



# Join Us

## Health Account Outlook Series

Part 1: Leverage employee insights for a more strategic approach to health accounts.

*Special Guest: Itamar Romanini, HSAStore*

Part 2: HSAs are not one size fits all. -- March 7

Part 3: The Hidden Challenges (and Opportunities) of HSAs. – March 21

*Special Guest: William Stuart, nationally recognized expert on reimbursement account strategy and author Your Health Savings Academy*

Part 4: Helping Employees Navigate Increasing Costs in 2023 – April 12

*Special Guest: Elaine Harkins, Mastercard*

**Register at:** <https://www.gotostage.com/channel/bri-outlook>



Thank You!

ANY QUESTIONS?