Health Savings Accounts (HSAs)

Q1. What is a health savings account (HSA)?

A health savings account (HSA) is a tax-advantaged savings account that employees can use to pay for current and future healthcare expenses. To contribute to the HSA, the employee must be enrolled in the HDHP. Generally, employees contribute to an HSA on a pretax basis through payroll deduction. Contributions are exempt from federal income and FICA (Social Security and Medicare) taxes (HSA contributions are also exempt from SECA taxes for ministers of the Word and Sacrament). HSAs feature what is considered a triple tax advantage: contributions are made pretax, any investment growth is tax-free (or tax-deferred), and distributions for eligible healthcare expenses are tax-free.*

*HSAs are never taxed at a federal income tax level when used for qualified medical expenses. Most states recognize HSA funds as tax-free. Consult a tax adviser regarding your state's specific rules.

Q2. Who is the business partner that the Board uses to administer health savings accounts (HSAs)?

The Board of Pensions partners with Further (formerly SelectAccount), a leading national health savings and spending account administrator, to help employers offer health savings accounts (HSAs) to employees. Under our arrangement, congregations and employers will work directly with Further for billing, administration, and employee enrollment. This will include completing an employer enrollment form and contract.

Q3. We want to offer health savings accounts (HSAs) to employees but don't have a lot of time to handle the associated administration. What is required of our organization?

The Board partners with Further, a leading national HSA administrator, to administer health savings accounts, reimburse claims, and provide online support including calculator tools and other resources. Employers who select HSAs will be responsible for

- signing an employer enrollment form with Further;
- distributing enrollment forms to employees and collecting them when completed;
- submitting employee enrollment on the Further group online service center or by secure file transfer;
- submitting employee contributions as they occur each pay period;
- submitting employer contributions (if applicable); and
- providing bank account information for administrative fee and for contribution funding (these can be the same or separate bank accounts).
- Can I select HSAs when I review and update my Employer Agreement in Benefits Connect?

No, the Employer Agreement does not have a selection for HSAs. However, if you select the HDHP medical option for any benefit group, you will see a message on the confirmation screen confirming that the Board is forwarding your information to Further. The Further Employer Support team will call you to walk through the HSA set-up process. When you log on to Benefits Connect to complete your Employer agreement, go to your employer profile to confirm that your phone number and email are accurate, so that Further can contact you promptly. Also, for optimal service, when you communicate with Further by phone or email, mention your organization’s name and the Board of Pensions (for example, First Presbyterian Church of Springfield referred by the Board of Pensions).

Q4. How do I set up my group’s HSA?

In your initial conversations, Further will share an employer enrollment form and explain how to complete it. You will be asked to provide employer and bank account information. During that conversation, the Further representative will preview the process for enrolling employees and funding employee accounts with employee and/or employer contributions.

Return your completed, signed employer enrollment form to Further. You will receive a *welcome* email confirming your setup in the system, along with your portal access. You will receive a plan document and contract to sign within 60 days.

Q5. How will my employee HSAs be funded?

When your Further representative walks you through the employer enrollment form, you will provide banking information to ensure that employee HSAs are funded according to their elections:

- You must establish an account (or use an existing one) for HSA claims reimbursement processing. The funds you deduct from employees’ pay and any employer contributions will be held in this account to reimburse their eligible HSA expenses.
- You may use the same account, (or establish a separate one) for HSA administrative fees from Further (no set up fee; $.75 per participant/per month paid by the employer).

Q6. How and when will employees enroll?

During annual enrollment, employees who elect the HDHP medical option (if you offer it) may elect an HSA, specifying election amounts for the coming year. Employees will provide their elections to their employer using paper forms, *not* on Benefits Connect. HSA election forms for employees will be available through Further and on pensions.org.

IMPORTANT: Although you may complete an agreement with Further within 60 days of returning your employer enrollment form, *please do not distribute enrollment forms to employees before the Board of Pensions annual enrollment period (October 29–November 16, 2018, for 2019)*.

Distribute enrollment forms to employees, collect completed forms, and enroll employees by

- entering the information into a spreadsheet and uploading it to the Further secure site; *or*
- entering the information directly into the Further employer portal.

Do not return paper enrollment forms to Further. They will not be accepted.

Further will mail a welcome packet (and an HSA debit card) to employees.

Q7. What’s involved in the payroll process to fund employee HSAs?

Each week, you will submit a file to Further indicating employee payroll deductions and the amount of any employer contributions. You also will direct the total amount of those deductions and your contributions (if any) into the designated bank account. Further will send an invoice through the Further employer portal with the amount needed to fund the employee account, and will deduct that amount weekly from your designated bank account. You will receive additional information as you complete the employer enrollment form.

Q8. What are the advantages – for employees – to an HSA?

In a HSA, unused health savings account (HSA) funds roll over from year to year — allowing funds to accumulate for future healthcare expenses as long as the employee has money in the account. HSAs are also fully portable (employees can keep the account when changing employers) and can be used in retirement to pay for qualified healthcare expenses, including Medicare premiums (but not the cost of coverage for the Medicare Supplement Plan offered through the Board).

Q9. How is an HSA different from a healthcare FSA?

Both types of accounts allow you pay for eligible healthcare expenses with pretax dollars; however, there are some key differences.

Health savings account (HSA)	Healthcare flexible spending account (FSA)
Both employees and employers may make contributions to an HSA. Funds are available for use as they are deposited into the account.	An FSA is typically funded by the employee. The entire annual election amount is available for use as of the employee's effective date or at the start of the plan year.
Any funds remaining in the HSA roll over from year to year so the account can grow over time. There are no limits to the amount that can roll over each year.	An FSA limits the amount of unused funds that may be carried over from one year to the next to $500. If you have more than $500 in your account at the end of the year, the amount above $500 is forfeited. This is sometimes called use it or lose it.
An HSA earns interest and offers opportunities for investing account funds when the balance reaches a certain threshold.	Funds in an FSA do not earn interest and cannot be invested.
The employee owns the HSA so it's fully portable, which means the employee takes the full balance with him/her at retirement or when changing jobs.	The FSA is not portable; the employee's participation stops when employment ends.

Q10. How much money can employees contribute to the HSA?

Eligible employees generally may make HSA contributions through pretax payroll deductions, up to annual limits set by the IRS. The annual contribution limits for 2019 are $3,500 if enrolled for Member-only coverage and $7,000 if covering any family members. Participants who will be age 55 or older during 2019 may make additional catch-up contributions of up to $1,000 for 2019. Employers have the option to make HSA contributions on the employee's behalf. Both the employee's contributions and any made by the employer count toward the IRS limit.

Q11. What if an employee who enrolls in the HDHP already has an HSA?

If the employer offers the HSA through the new arrangement between the Board of Pensions and Further (a leading HSA administrator), the employee may set up a new HSA with Further. If setting up a new HSA with Further, the employee

- may transfer the balance in the existing HSA to the new HSA with Further and close the existing account;
- contribute to both the existing HSA and the new HSA with Further as long as the total contributed for the year does not exceed IRS limits (see Q10); or
- leave the existing HSA balance with the current HSA custodian and make contributions to only the new HSA with Further going forward. In this case, any funds left in the existing HSA remain available to the employee to use for qualified healthcare expenses.

Questions?

If you have HSA-related questions, call Further Employer Support at 855-363-2583 between 8 a.m. and 5 p.m. Central Time, Monday through Friday, or email sales.support@hellofurther.com. Other questions? Call the Board at 800-773-7752 (800-PRESPLAN) or visit pensions.org.