FEATURING KELLEY BELL

PROVIDING AN HSA, FSA, OR HRA HEALTH PLAN FOR YOUR EMPLOYEES

- Get an in-depth look at the key differences between these health plans.
- Understand which plan will work best for your employees long-term.

KBELL@GOSAXON.COM
(937) 672-1547

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INTRODUCTION

When open enrollment hits annually, it is not uncommon for employers to feel exasperated when staring down a list of acronyms such as HSA, FSA and HRA. As it should go without saying, the most common first thought is, “What does any of this mean?” Even the most seasoned experts have difficulty with understanding the complexities of various care options. That’s why in this installment of CenterStage, Kelley Bell, a Group Health Benefits Consultant at Saxon Financial, is here to break down the ‘alphabet soup’ that is HSAs, FSAs and HRAs.

What Is an HSA?

An HSA stands for a Health Savings Account. Kelley stated that HSAs work in conjunction with your existing HDHP plan (given you already have one) to cover costs associated with eligible medical, dental and vision expenses. Available to open just like a bank savings account, Kelley said, “It is your account; yours if you leave the employer and can contribute as long as you have an HDHP and can use the funds until they are gone, even if you are no longer in an HDHP.” For most, this applies to retirement. If you are reasonably

healthy throughout your working life, Kelley said you can carry a large HSA balance into retirement. At that point, the funds can be used to cover the out-of-pocket medical costs that often increase with you as you age.

In addition to all the above, certain tax advantages exist within an HSA plan:

- Contributions are excluded from federal income tax.
- Interest earned is tax referable.
- Withdrawals for eligible expenses are exempt from federal income tax.

HSAs are typically available through employers, but individuals can establish one, as well. Many banks offer HSA programs for their customers, meaning if your employer does not offer the benefit, you can create an HSA account there.

What Is an FSA?

An FSA is a Flexible Savings Account. Much like an HSA, these plans cover the payment of medical, dental and vision-related expenses, and contributions you make to the plan are tax-deductible. Similarly, when you open an FSA account, you're typically provided with a debit card or checkbook, so the funds can be accessed in the account. However, Kelley stated an FSA plan has a catch: "An FSA cannot roll over unused funds from year to year and is not portable." Therefore, any contributions made to the plan that have not been spent by the end of the year are forfeited.

Some employers, as Kelley noted, do have options that will help you avoid complete forfeiture of unused funds. Certain employers allow their employees to carry over up to $500 of unused funds into the following year, while others will extend the use of the funds for up to two and a half months into the new year. Employers generally will offer one or the other, but never both. Some, however, offer no such option at all.

Kelley mentioned general purpose FSA coverage, and stated it can “make you ineligible for HSA contributions.” She continued to add that certain types will not prevent HSA eligibility, i.e. limited FSA for vision, dental, parking or “post-deductible FSA” which reimburses you for preventative care or for medical expenses that are incurred “after the minimum annual HDHP deductible has been met.” As a result of forfeiting any unused funds in the account, an FSA is best used by someone who has ongoing and predictable medical expenses. In this situation, it is likely you will deplete the funds in the account, whereas if you are considered healthy and have limited medical expenses (i.e. minor illness, sinus infection), the potential for forfeiture is high, and you may have to forgo the account. FSAs are employer-sponsored and typically are an option as part of a ‘cafeteria plan’.

What Is an HRA?

An HRA is a Health Reimbursement Arrangement. Like the other plans described in this article, an HRA is a tax-free employer funded amount of money for healthcare expenses. Contributions, as Kelley explained, “can be excluded from gross income, meaning that won’t pay taxes on that money and reimbursements from the HRA are tax-free when used for qualified medical expenses.” Depending upon the type of HRA, unused funds may or may not be rolled over from one year to the next. However, employers may also allow employees to use their HRA funds even into their retirement.

The benefits of an HRA take action after the employee has met a specific portion (i.e. employee meets 1st $2500 of a $5000 deductible), making it easier for the employee to meet their high deductible. HRAs are good for employers who want more control over how their medical dollars are put to use. Naturally, if the employer is paying the cost of the HRA, it can be of an increased advantage than contributory health insurance premiums and direct payment for out-of-pocket expenses. With an HRA, the employer determines the reimbursements and does not have to contribute the same amount for all employee groups (i.e. tiers of employee coverage, employee/child, employee/spouse and family).

How Saxon Helps

It is important to understand the needs of every client and educate their employees on how to use their healthcare. Saxon values client education and service above all else. We make educating employees a priority and ensure their benefits are understood and easy to use. Saxon represents all of the major carriers, allowing us to secure the best plans and rates for you and your staff, which we review annually.

If you are considering offering an HSA, FSA or HRA insurance plan to your employees, contact Kelley Bell today at (937) 672-1547 or kbell@gosaxon.com to begin exploring the benefits of adding this superior level of coverage today.