



Health Savings Accounts

Helping Employees Take Control
of Medical Expenses

 **American Fidelity
Assurance Company**

Our Family, Dedicated to Yours™

Health Savings Accounts

Health Savings Accounts

- What are they?
- How do they work?
- What is the impact on S125?
- Why HSAs with American Fidelity?

Neither Health Services Administration nor American Fidelity Assurance Company are providing tax advice.
Individuals with an interest in an HSA, should contact their personal tax advisor.

Health Savings Accounts

What is an HSA?



Checking Account



Savings Account



Health Savings Account



Retirement Accounts

Health Savings Accounts

What is an HSA?

- Individually owned savings account
- Contributions, distributions, interest earnings – tax free
- No maximum on amount that can be accumulated
- Pay for qualified medical expenses for spouse & tax dependents
- Portable

Health Savings Accounts

Tax Free – Qualified Contributions

“Qualified medical expenses” spouse & dependent children

- Deductible
- Co-insurance/Co-pay
- Over the counter drugs (Beginning January 1, 2011, over-the-counter medication and drugs will only be eligible if prescribed by a physician, without regard to whether the drug or medication is available without a prescription)
- Dental Expenses
- Vision Expenses

Health Savings Accounts

How Does an HSA Work?



Employee



Spouse + Child(ren)



Self only-QHDHP/HSA

Non-HDHP

Deductible/Co-Pays/Co-Ins

Health Savings Accounts

Tax Free – Qualified Contributions

“Qualified medical expenses” spouse & dependent children (even if not covered under HDHP)

- Health plan coverage while receiving federal or state unemployment benefits.
- COBRA continuation coverage.
- Medicare premiums: Part A, B & D
- LTC premiums (portion of)
- Individuals are responsible for keeping supporting documentation as with any other tax deductions.

Health Savings Accounts

Qualified Contributions

- Even if account holders have not saved enough in HSA to pay for an expense, can always withdraw funds later
- There is no deadline on reimbursements
- There is no requirement to use HSA funds for all expenses
- It carries over through the years!

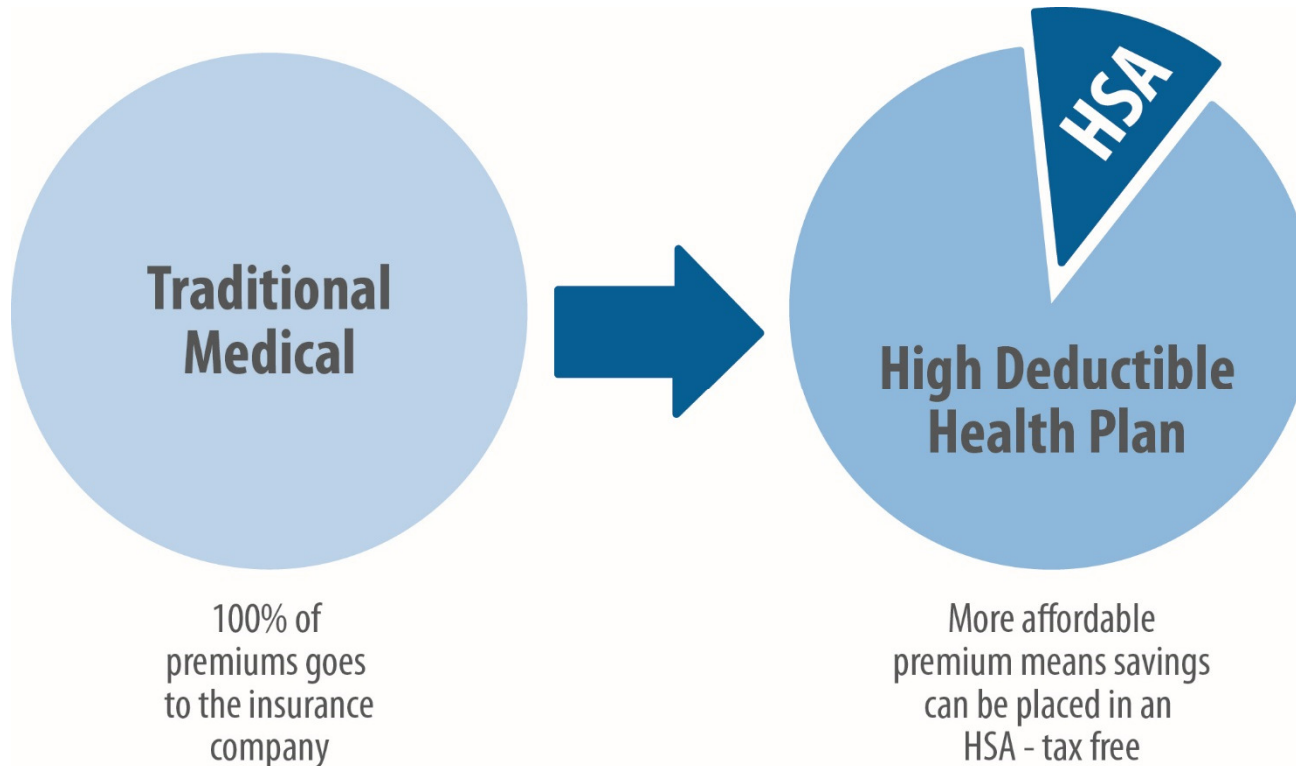
How Does an HSA Work?

Requirements to Contribute to an HSA:

1. Must have a qualified HDHP to contribute to an HSA
2. Cannot have Medicare Part A or B
3. Cannot be claimed as a tax dependent on anyone's else's tax return
4. Cannot have any other coverage that pays first dollar expenses below the deductible – Ex: FSAs

Health Savings Accounts

How Does an HSA Work?



Health Savings Accounts

HSA & FSA

HSA

- Tax-exempt trust/custodial account
- Funds must be deposited before using
- HSA contributions can be changed throughout the year
- IRS sets limits – indexed every year
- Balances roll year-to-year. No limit on accumulation.
- Account holder responsible for keeping receipts and determining eligibility
- Interest can be applied
- Not subject to ERISA unless employer takes action that triggers it.
- Account holder dies: Spouse becomes owner. Otherwise, beneficiary claims as income.

Medical Reimbursement – FSA

- Account set up by employer
- Annual amount available first day of plan year
- No mid-year changes without a qualifying event
- No contribution limits set by law
- Must use the annual amount within the plan year
- Receipts must be submitted and claims adjudication required
- Cannot accrue interest
- Subject to ERISA
- Unused FSA balances are forfeited

Health Savings Accounts

American Fidelity HSAs

- Accessing HSA Funds
 - Debit Card
 - Online Request
 - Distribution Form

Health Savings Accounts

Health Savings Accounts

Thank You

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