

HSAs:
A Great Way to Save



Who Is Blackhawk Bank?

- ❑ 127 year-old locally owned independent mid-sized bank
 - ❑ We not only custodian HSAs, we have them too! (since January, 2005)
 - ❑ We have a dedicated HSA Team, here to serve you. No question goes unanswered.
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Reference Guide

What Exactly Is A Health Savings Account?

An HSA is:

- ❑ A tax preferred bank account – this means that you put money in **tax free**.
 - ❑ You earn interest **tax free**
 - ❑ Monies spent or “distributed” stay **tax free** as long as they are used for medical expenses (RXs, dental, vision, deductibles) for you OR your dependents. Note: They don’t even have to be on your insurance!
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Why involve a bank at all?

- These are primarily checking accounts
 - They require FDIC protection
 - Reporting for tax purposes is necessary
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Who can have an HSA?

An individual who is:

- Currently enrolled in a CDHP (HDHP)
- Not enrolled in and using Medicare**
- Not claimed as a dependent on someone else's taxes
- Not covered by other medical insurance (exceptions are worker's comp., separate dental, vision, etc.)

** Please consult www.ustreas.gov for further details

Tax advantages for a person with an HSA:

- Money can be contributed pre-tax through payroll
 - Balances accumulate tax free interest
 - Dollars stay tax free if spent on qualified medical expenses
 - Post-tax deposits are tax deductible
 - Contributions can be posted up until April 15 for previous-year's deductibility
 - Payroll deductions CAN BE CHANGED
 - NO USE IT OR LOSE IT
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Contribution limits for 2009

- ❑ A person with **Individual Coverage** may contribute up to **\$3,000** into their HSA
 - ❑ A person with **Family Coverage** may contribute up to **\$5,950** into their HSA
 - ❑ The “Catch up” contribution for folks over 55 (at any time during the 2009 tax year) is \$1000
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2010 limits...

- ❑ For Individuals, the limit will be \$3050
 - ❑ For Family, the limit will be \$6,150
 - ❑ Catch up is staying the same at \$1000 per eligible individual*
- *spouses must have a separate account, but once established funds can co-mingle
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So Much is on the table.
What's changing?

Are HSAs going away?

- No.
 - If anything the trends we are seeing and language being used seems to indicate that HDHPs are going to continue to be a significant piece of the market
 - A great place to follow what is happening is the website hsainsider.com
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What *may* change given current WI state legislation?

- ❑ Dependent to Age 27 *may* change the ability of folks to pay for these expenses
 - ❑ *However...* WI definition does not follow the federal definition of dependent
 - ❑ *CAUTION...* just as the value of health claims paid on behalf of ineligible dependent may be taxable to the extent coverage is attributable to employer contributions or paid for by the employer based on Section 105, HSA dollars *may also be when used to pay out of pocket for these same individuals*
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Bottom line?

- We don't know yet!
 - The IRS has not provided this guidance or any definitive text regarding how to handle these situations
 - The tax consequences may be significant, so err on the side of caution on behalf of clients
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What about proposed federal changes?

- ❑ Tax / Fees for “Cadillac Plans” to insurers may drive push to HDHP business model
 - ❑ The Baucus plan refers to a 35% Employer Excise Tax, which again might make the higher deductible, lower premium plan more attractive
 - ❑ Baucus Plan widely detested...
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What's Staying the Same?

Who owns which part of the HSA?

- ❑ **The Custodian (bank):** Responsible for accurately insuring deposited funds and for paying accurate interest to the client, and for returning excess contributions in a timely fashion. Must provide accurate and timely tax reporting documents.
 - ❑ **The Employer:** Responsible to accurately report contributions made on behalf of employees, and to report pre-tax contributions made through payroll deduction by employees. Must adhere to all comparability rules.
 - ❑ **The Individual: Solely responsible for contributions they make, and for distributions taken from the account**
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How does money go into these accounts (contributions)?

- ❑ Pre tax electronically or with a paper check by an employer **on behalf of** an employee
 - ❑ Pre tax contributions by an individual of their **own money** through payroll (direct deposit)
 - ❑ After tax contributions by an individual electronically transferred from another account, by cash, or check (tax savings realized when taxes are filed). The source doesn't matter, and now is tax deductible!
 - ❑ After tax through a designated third party; (ie a gift of money a client decides to deposit into their HSA)
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How does a person access the funds (take distributions)?

- Debit Card
 - Checks
 - ATM
 - In person at the bank with a counter check
 - Online as a transfer to another account, or with online bill-pay
 - THESE OPTIONS SHOULD ALL BE FREE
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What about fees – a guide...

- No Set Up Fee
 - No Annual Fee
 - Free Debit Cards
 - No Transaction Fees
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Here's how it works...



- You visit the doctor
 - There is no Co-pay
 - They process the visit through your insurance
 - You get your EOB in the mail
 - You get your final bill
 - Decision time...
- Write a check from my HSA account
 - Use my HSA Debit/Mastercard **OR**
 - Write a check from my household account
 - Use free Online Bill Pay from either one
 - The decision is the consumers!*
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But what about prescriptions?



- A person *may* want to ask for a sample, then a generic
 - take it to the pharmacy
 - Give the pharmacist insurance card, and they fill the RX
 - Decision Time...
 - Write a check from my HSA account
 - Use my HSA Debit/Mastercard **OR**
 - Write a check from my household account
 - The choice is the consumers!*
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We Are Here For You!

My pledge to you:

No question goes unanswered! Call (800)209-2616

Paula Colling, VP Business Development ext 4208
cell – (608) 289-1898

Thank you! Questions?
