

# Understanding HSA & VEBA Accounts and Options

September 2018

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**FURTHER** 

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# Introduction

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# You will learn today:

## **30 – 45 minutes w/ 15 minutes Q-A**

- What is an HSA
- How do employees qualify
- How do they work?
- Why would an employee want one?
- Why would an employer want to offer one?
- Retirement?
- Best practices
- Q & A

## **Public sector HRA/VEBA 30 minutes**

- Why a VEBA fits in the public sector
- Q & A

# Who is Further?

1. Founded in 1989 as SelectAccount, Renamed Further in April 2018
2. An Approved Non Bank Trustee through the US department of Treasury
3. Manages over 670,000 consumer –driven health spending and savings accounts including HSA, HRA, FSA and VEBA
4. Serves more than 28,000 small to large business, labor unions, retiree and public sector groups
5. More than 1.3B in assets under management
6. Over 2B in annual claims activity
7. Maintains a proprietary technical platform
8. Headquartered in Eagan MN
9. Clients in all 50 states

# What is an HSA

1. 60B nationally in HSA accounts – established in 2004
2. 60% of employers offer a Qualified HDHP
3. Simple bank account owned by the individual or employee
4. Deposits are free from State, Federal and FICA taxes
5. No use it or lose
6. Accounts pay interest
7. Portable
8. Triple tax advantage
  - a. Tax free contributions
  - b. Interest earned is tax free
  - c. Tax free withdrawals for qualified medical expenses



# Who can have an HSA?

1. Must be covered by a Qualified HDHP
2. Can not have access to any other first dollar insurance coverage including a medical FSA or a spouse medical FSA
3. Can not be covered by Medicare
4. Can not be claimed as a dependent on someone else's tax return i.e. children

# What is a Qualified HDHP?

## 1. Minimum deductible

- a. Single \$1350
- b. Family \$2700
- c. Embedded single \$2700

## 2. Max out of pocket

- a. Single \$6750
- b. Family \$13,500

## 3. Max contribution

- a. Single \$3500
- b. Family \$7,000
- c. 55+ add \$1000

## 4. All expenses must apply toward deductible including RX, preventive coverage is the exception



# What is an eligible expense

1. Qualified medical claims covered and some not covered by medical insurance
2. Dental
3. Vision
4. Some limited insurance premiums
5. IRS Code 213D





# Who is eligible for claims distribution

- 1.Account owner
- 2.Spouse
- 3.Tax dependents
- 4.Spouse and tax dependents do not need to be covered by a Qualified HDHP
- 5.Spouse and Tax dependents can have multiple insurance coverages
- 6.Account must be opened prior to expense being incurred

# How much can an account contribute annually in 2019?

1. Single coverage

a. \$3500

2. Family or +1 coverage

a. \$7,000

3. 55+ 1,000 annual catch up

4. Employer and employee contributions combined

5. Full funding available regardless of eligibility date

6. Can fund until April 15 following year for previous year eligibility

# How do they work?

1. Employee qualifies for an HSA
2. Employee make a voluntary payroll reduction ( can be changed at anytime)
3. Employee or eligible dependent incur eligible medical expense
4. Employee determines if claim is eligible – no formal adjudication or documentation required at time of distribution. ( copies should be kept in the event of an audit)
5. Debit cards or online bill payments are common
6. HSA funds can easily be transferred to checking or savings accounts



# Contribution options

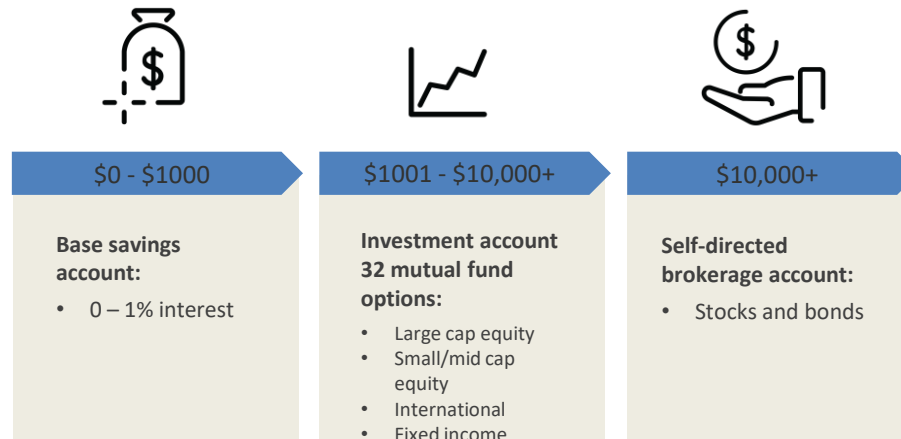
1. Pre tax payroll – immediate tax savings including FICA ( ER saves FICA as well)
2. Post tax contributions – Taxes saved when filing income tax  
– no FICA savings of 7.65%
3. Fund as you go
4. Annual true up funding



# Mingling HSA and FSA accounts

1. Full medical FSA accounts conflict with HSA accounts and are not allowed to mingle
2. FSA funds can pay dental and vision along side an HSA
3. Spouse FSA accounts affect HSA eligibility
4. Most will no longer fund an FSA with an HSA
  - a. FSA elections can not be changed once made
  - b. FSA funds are use it or lose it
  - c. FSA funds pay the same expenses as HSA
  - d. FSA funds require account adjudication – not as easy
  - e. FSA has lower contribution limits

## 1. Investment options





# Best Practices – great features

1. Non qualified claims should be avoided

Taxes and a 20% penalty are charged

2. There is no time limit when a claim can be reimbursed once the HSA has been established (save documentation)

3. Post age 65 non qualified claims the 20% penalty does not apply

4. Medicare B & D premiums are eligible

# More Valuable than a 401K or IRA

HSA	IRA	401K
\$10,000	\$10,000	\$10,000

Post 65 non qualified medical claim of \$500

\$150 taxes due due	\$150 taxes due	\$150 taxes
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Post 65 qualified medical claim of \$500

No Taxes - \$500 paid due	\$150 taxes due	\$150 taxes
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There is no other account, pension, SS, IRA, 401K, 403B, stock, CD bond or savings account with the tax advantages of an HSA



# Why would an employer offer an HSA qualified option

- 1.Higher deductibles – lower premiums
- 2.HSA promote behavior change
- 3.HSA drive lower claims utilization in return lower renewal rates
- 4.Keep up with national benefit packages
- 5.Attraction and retention
- 6.FICA tax savings on all deposit

# Why would an employee want an HSA qualified plan

1. Triple tax savings – Buy \$1 worth of care for .70
2. Account is portable
3. Name beneficiary
4. Generally lower premiums on HDHP
5. Don't pay a provider for coverage you don't use – pay yourself
6. No use it or lose it – keep what you don't spend
7. Better than a 401K or IRA after age 65
8. Pay Medicare premiums B & D

# Questions?

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# Public Sector HRA / VEBA



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# Public Sector HRA/VEBA

- 1.No specific medical plan requirements
- 2.Employer only contributions
- 3.Funds held in trust
- 4.Interest earned is not taxes
- 5.No contribution maximum limits
- 6.Typical severance, sick, vacation can be deposited at termination tax free
- 7.VEBA funds can pay 99% of medical insurance premiums post employment

# Public Sector HRA/VEBA cont.

1. Medical dependents are eligible for reimbursement regardless of medical coverage ( spouse, dependents under age 26)
2. Beneficiary restrictions
  - a. Spouse
  - b. Medical dependent
  - c. Named beneficiary – taxable
3. Mingles exceptionally well with FSA accounts
4. Conflicts with HSA contributions – limited claims eligible
5. Same IRS 213D as FSA plus premiums



# Public Sector HRA/VEBA cont

## 1. Unique Further document allows

a. Qualified HDHP

b. Employee options with employer funding

i. 100% to VEBA – fund HSA with payroll

ii. 100% to HSA – Fund additional HSA to annual limit as an option

iii. 50% to VEBA / 50% to HSA – fund additional HSA to annual limit as an option

# Why VEBA?

1. Union requires ER contribution to be held in trust
2. VEBA pays medical insurance premiums post employment including Medicare supplements
3. No medical plan requirements
4. Mingle with FSA for preservation
5. Allows for claims reimbursement for dependents up to age 26
6. Think HRA but funded in a trust



Questions?

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