



# **LAFAYETTE COLLEGE**

## **HSA OR FSA; UNDERSTANDING THE DIFFERENCE**

### **COLONIAL LIFE MEDICAL BRIDGE PLAN**

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[www.usi.com](http://www.usi.com)

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# Agenda

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- Understanding the Differences between HSAs and FSAs
- Health Savings Account (HSA) Basics
  - BenefitWallet
- Health Flexible Spending Account (FSA) Basics
  - Discovery Benefits
- Colonial Life Medical Bridge Plan

# Understanding the Differences between HSAs and FSAs

# Important Facts

## Health Savings Accounts

- HSAs are used in conjunction with a qualified high deductible health plan and allow users to save money tax-free to use for current or future healthcare expenses

## Flexible Spending Accounts

- FSAs allow users to set aside and spend focus on using pretax dollars to cover eligible expenses

# How are HSA and FSA Accounts Similar?

The most important similarity is that both allow you to set aside money before income taxes and, as long as you use the money for a “qualifying expense”, you will never pay income tax on that money

- The HSA allows you to set aside, *GROW* through investment options, and spend tax-free money on qualified healthcare expenses
- The FSA allows you to set aside and spend tax-free money on qualified healthcare expenses

# How are HSA and FSA Accounts Similar?

- The IRS establishes the annual contribution maximums for each type of plan.
  - For 2021, the HSA maximum annual contribution is \$3,600 for individual / \$7,200 for family. Employees age 55 or older may contribute an additional \$1,000 catch up contribution.
  - For 2021 the medical FSA maximum annual contribution is \$2,750.
  - For 2021 the Dependent Care FSA maximum remains at \$5,000.

# Examples of Qualified Expenses

In general, Qualified Medical Expenses (QME) are any service that diagnose or treat a medical condition and generally do not include over the counter expenses or cosmetic procedures

## QME

- Medical, dental, vision, prescription, chiropractic
- Over the counter with prescription
- Mental health counseling
- Crutches, braces, non-medicated Band-Aids
- Legal expenses in a foreign country
- Lasik eye surgery
- Therapeutic Massage – with a letter of medical necessity

## Non-QME

- Over the counter medicine
- Nutritional supplements
- Family/Marriage Counseling
- Teeth whitening
- Cosmetic surgery
- Hair transplants
- Therapeutic Massage without a letter of medical necessity
- Future medical care

Review [IRS Publication 502](#) for a more comprehensive list of qualifying expenses

# IRS – Compliance Rules – Qualified Expenses

- IRS Publication 502 provides the definition and examples of qualified medical expenses as well as a list of items that do not qualify and which could be subject to penalty

<https://www.irs.gov/uac/about-publication-502>

- USI recommends employees **consult their Tax Advisor for clarification** if you are unclear about whether a specific product or service will qualify for distribution

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## What Medical Expenses Are Includible?

Following is a list of items that you can include in figuring your medical expense deduction. The items are listed in alphabetical order.

This list doesn't include all possible medical expenses. To determine if an expense not listed can be included in figuring your medical expense deduction, see [What Are Medical Expenses](#), earlier.

### Acupuncture

You can include in medical expenses the amount you pay for acupuncture.

### Alcoholism

You can include in medical expenses amounts you pay for an inpatient's treatment at a therapeutic center for alcohol

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## What Expenses Aren't Includible?

Following is a list of some items that you can't include in figuring your medical expense deduction. The items are listed in alphabetical order.

### Baby Sitting, Childcare, and Nursing Services for a Normal, Healthy Baby

You can't include in medical expenses amounts you pay for the care of children, even if the expenses enable you, your spouse, or your dependent to get medical or dental treatment. Also, any expense allowed as a childcare credit can't be treated as an expense paid for medical care.

### Cosmetic Surgery

Generally, you can't include in medical expenses the amount you pay for unnecessary cosmetic surgery. This includes any procedure that is directed at improving the



# How are HSA and FSA Accounts Different?

The HSA is a savings account because the money you or your employer set aside can be invested and stays with you, even if you leave your job, and can be used tax-free on qualifying expenses

The FSA is traditionally a spending account because of the “use it or lose it” rule, which requires you to forfeit money that is not spent by a set time period. Unused funds go back to the employer if you leave your job or if the availability of funds expire. You do, however, have complete access to the annual election, regardless of contributions into the account

# HSA vs FSA

	HSA	FSA
<b>Eligibility</b>	Individual must not be enrolled in Medicare or covered by any other health plan which duplicates any benefits in the qualified high-deductible plan.	Individual must work for an employer who offers one.
<b>Who "owns" it?</b>	Individual/employee.	Individual/employee.
<b>Who funds it?</b>	Typically individual and/or employer. Both may make contributions in the same year.	Typically funded by employee.
<b>How is it funded?</b>	Money is deposited directly into the account.	A set amount of pretax wages designated by the employee is deposited directly into an account.
<b>Is it a personal account?</b>	Yes.	Yes.
<b>What type of corresponding health plan is allowed?</b>	Minimum \$1,400 for individual and \$2,800 for family coverage (2020). No maximum deductible. For 2020, total costs to the insured cannot exceed \$6,900 for an individual and \$13,800 for a family, including both the deductible and copays. Thus a plan that pays 100% of all costs above the deductible could have a deductible as high as \$6,900 for an individual or \$13,800 for a family.	Any type of health plan arrangement.
<b>Does interest accrue?</b>	Interest can be accrued tax free in qualified HSAs.	Interest not accrued.
<b>Is it portable?</b>	Rollover is allowed - individual owns HSA, takes it when leaving employment.	Up to \$500 can be rolled over (if group allows it). If not, unused funds must be spent by year's end (or by termination of employment before year's end), otherwise individual loses money.
<b>Can funds be used for non-medical expenses?</b>	Funds used for non-medical expenses are taxed as income and incur a 10% penalty. After age of Medicare eligibility there is no penalty.	No, health portion of FSA only used for expenses defined under §213(d) of IRC.
<b>What is the tax treatment?</b>	Qualified HSAs are tax free as long as funds are spent on medical care defined under §213(d).	Contributions to FSA are tax free and so reduce annual taxable income.
<b>Is there a "Catch up" contribution provision for older workers?</b>	Individuals age 55 or older may contribute more to the account per year. An additional \$1,000 contribution is allowed. Married couples may both contribute a catch up contribution to their own individual HSA account.	Not available.
<b>Are there other income eligibility requirements?</b>	No.	No.
<b>How are unused FSA balances treated with other benefits?</b>	There is no provision to allow the FSA to roll over into the HSA. However, contributions to the HSA may be made through §125 Cafeteria Plans.	Money is forfeited back to employer at year's end if there are any remaining FSA funds.

# Health Savings Account Basics: What is a Health Savings Account?

# Health Savings Accounts

## What is a Health Savings Account?

- The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established tax-favored Health Savings Accounts (HSAs)
- Due to their tax-favored status, HSAs have strict rules regarding eligibility and contributions.
- In order to make or receive HSA contributions, individuals must meet the following qualifications:
  - Be covered by a qualified high deductible health plan (QHDHP)
  - Not have any other health coverage (with some exceptions), including a Health Flexible Spending Account
  - Not be claimed as a dependent on another person's tax return
  - Not be covered by Medicare
- The Employer and Employee can contribute to the HSA in the same year, subject to annual limits. Employers may allow employees to make pre-tax salary reductions to fund the HSA
- Distributions can be made for any incurred expense since the HSA was opened, and individuals roll over unspent funds in the HSA from year to year
- Since the HSA is a tax-exempt account owned by the employee, her or she keeps that account upon termination of employment or retirement

# Cost for Coverage

Unlike Flexible Spending Accounts, the cost for certain coverage is considered a qualified medical expense:

- Continuation coverage under federal law (e.g., COBRA, USERRA) for account holder, spouse, or tax dependent(s)
- Qualified long-term care
- Any health plan while the individual (i.e., HSA holder, spouse, or tax dependent(s)) is receiving unemployment under federal or state law
- Any deductible health insurance (e.g., retiree coverage) other than Medicare supplemental policy for account holders age 65 or older
- Premiums for Medicare Parts A – D when the account holder is at least age 65

# Who Can I Spend It On?

Per [IRS Publication 969](#), qualified medical expenses are those incurred by the following persons:

1. You and your spouse
2. All dependents you claim on your tax return



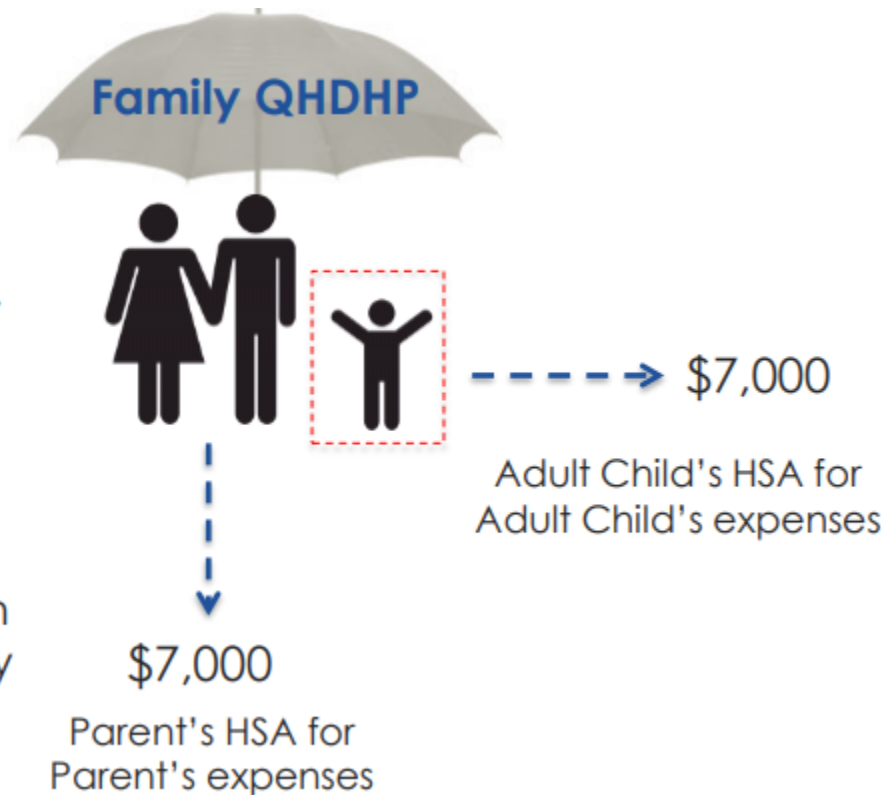
The HSA can ALWAYS be used for these individuals, no matter the type of medical coverage chosen!

# Tax Dependents vs. Insured Dependents

Parent and Adult Child FSAs cannot be used to pay for each other's services, since they are separate for tax purposes

HSA rules pertain to Tax Dependents, which is not always the same as Insured Dependents...

- Children can be covered under the parent's QHDHP until age 26, but may no longer be a tax dependent
- Children covered under their parents' Family QHDHP, but not considered tax dependents, can open their own HSA and contribute the full family maximum!



# HSA Custodian; BenefitWallet



# BenefitWallet

BenefitWallet, the Lafayette College designated HSA Custodian, offers many convenient services, capabilities and support

- Contributions
  - You can use BenefitWallet to contribute to your HSA through:
    - Payroll
    - Online account-to-account transfer
    - Mailing a check with a deposit slip
    - Transferring an existing HSA balance to BenefitWallet for account consolidation
- Payment Options
  - You can pay for your health care expenses using your:
    - Debit card
    - Online bill pay
    - Checkbook
- Or, you are able to reimburse yourself for out-of-pocket expenses through an online account-to-account transfer or writing a HSA check to yourself

# Investments

Unlike other health care accounts, the HSA has no “use or lose” provision, where you need to use all of your dollars by the end of the year. Any funds not used in a given plan year remain in your interest-bearing account for future qualified medical expenses.

Once you reach a minimum balance of \$1,000, you can establish an investment account and begin to invest in a wide selection of mutual funds.

Members can invest HSA dollars in the investment options offered by BenefitWallet and pay no federal taxes on any interest and/or investment earning, as long as the money remains in the HSA and is used to pay for qualified expenses.

# Member Home Page

www.mybenefitwallet.com

## Home Page Screen:

- Toggle option to switch account type
- Status of Account
- Account Number
- Balances
- Quick Launch Bar
- Activity on Account
- Rotating Messages

BenefitWallet

CHARLES BURNS ▾ 57 0

Home My Account(s) ▾ My Money ▾ Resource Center Contact Us

**HSA** Open **\$2,070.35** **\$2,070.35** **\$0.00**  
 XXXXXXXXXXXX0208 Total Value Available Investments ⓘ  
 Routing Number: 011001234

FSA \$1,361.62 View more DCFSA \$1,369.20 View more

Make an HSA Contribution Reimburse Myself Pay a Provider Direct Deposit Information Investments Most Recent Statement

**My Contributions ⓘ** 2018 ▾

Year-to-date Distributions: **\$0.00**  
[Update your coverage level](#)  
 Coverage level is informational only to highlight coverage limit above. This does not impact your actual health plan coverage level.

**My Balance ⓘ**

**Update your email and other personal information**  
 Make sure your email and personal information is kept up to date so we can reach you with important account information.  
[Update My Personal Information](#)

Transactions My Pending Transactions My Processed Contributions My Processed Payments Transactions Held

Date	Type	Description	Withdrawal	Deposit	Tax Year
09/28/2018	INTEREST POSTED	INTEREST POSTED THROUGH 09/30/2018		\$0.17	2018

# Resource Center

The BenefitWallet resource center is a one stop shop filled with a ton of materials, videos, calculators, and account forms.

## Resource Center



### HSA Education Materials

- [HSA Overview](#)
- [Five Reasons to Open Your HSA](#)
- [Investments](#)
- [Making HSAs Work for You](#)
- [HSA/FSA/HRA Compare](#)
- [HSA Transfer Process](#)
- [HSA Eligible Expenses](#)



### Ver materiales educativos y videos en Español

- [Mi HSA en Español](#)
- [HSAs: una inversión sana en Español](#)
- [HSA Preguntas frecuentes](#)
- [Ejemplo de carta de bienvenida](#)
- [Contrato de Depósito y la Declaración Informativa en Español](#)
- [Política de Privacidad del Consumidor en Español](#)
- [Video Información general sobre la HSA](#)
- [Video Gastos mediante su HSA](#)
- [Video Ahorros mediante su HSA](#)
- [Video Inversiones mediante su HSA](#)



### Videos

- [HSA Overview](#)
- [HSA Tax Savings](#)
- [Tax Guidelines for HSAs](#)
- [HSA Tax Forms](#)
- [Saving With Your HSA](#)
- [Spending With Your HSA](#)
- [Investing With Your HSA](#)
- [Mobile App Experience](#)



### Tools

- [Plan Selector Tool](#)
- [HSA Tax Savings Calculator](#)
- [HSA Contribution Limit Calculator](#)
- [HSA Goal Calculator](#)
- [HSA Savings Calculator](#)



### FAQs

- [HSA FAQs](#)
- [More HSA FAQs](#)



### Personal Information Forms

- [Master Signature Card](#)
- [Additional Signature Authorization Form](#)
- [Reopen Account Form](#)
- [Personal Data Change Form](#)
- [Beneficiary Change Form](#)
- [Durable Power of Attorney](#)
- [Tax Form Reprint Form](#)
- [Account Statement Reprint Form](#)
- [Foreign Address Update Form](#)



### Contribution and Distribution Forms

- [Generic Deposit Slip](#)
- [Trustee to Trustee Transfer Form](#)
- [Excess Contribution Form](#)
- [Form 8889](#)
- [Instructions for Form 8889](#)
- [Request Copy of Check Form](#)
- [Request Copy of Tax Form](#)
- [Stop Payment Form](#)



### Account Disclosure Forms

- [Rate and Fees Schedule](#)
- [Sample Welcome Letter](#)
- [Deposit Agreement and Disclosure Statement](#)
- [Consumer Policy Privacy Statement](#)

# BenefitWallet Service Center

If you have any questions about BenefitWallet, you have access to the BenefitWallet Service Center by calling 1-877-472-4200.

Hours of operation are Monday to Friday; 8:00 AM to 11:00 PM, EST  
Saturday and Sunday, 9:00 AM to 6:00 PM, EST

The Benefit Wallet site, [mybenefitwallet.com](http://mybenefitwallet.com), offers educational materials, HSA FAQs and a Video Library



# Health FSA Account Basics: What is a Flexible Spending Account?

# Flexible Spending Account Basics

## What is a Health Flexible Spending Account?

- Health Flexible Spending Accounts (FSAs) provide an avenue for Employees to reduce their income tax liability through salary reduction; not only are contributions made with pre-tax payroll deductions, but the amount contributed is not included in taxable salary
- Employees can contribute a portion of their own salary to an account designated to pay for health care expenses that aren't reimbursed through another source
- Health FSAs have a "use-it-or-lose-it" provision
  - In general, Employees are required to elect a specific amount of salary reduction at the beginning of the plan year and then must use every dollar in the account by the end of that year, distributions can only be made for expenses that were incurred within the FSA plan year
  - To avoid this, the IRS allows Health FSAs to incorporate a grace period or carryover feature which allows participants to access unused amounts remaining in a FSA at the end of the plan year to pay for expenses incurred, during a grace period after the close of the year
  - Lafayette College allows participants to carry over up to \$550 of unused funds remaining at the end of the plan year to be used for qualified medical expenses incurred during the following plan year

# Eligible Distribution Rules

## Who Can I Spend It On?

Per [IRS Publication 969](#), qualified medical expenses are those incurred by the following persons:

1. You and your spouse
2. All dependents you claim on your tax return
3. Your child under age 27 at the end of your tax year



The FSA can ALWAYS be used for these individuals, no matter the type of medical coverage chosen!



# Substantiation Rules

Essentially another word for proof, substantiation refers to the detailed documentation that must be submitted to the FSA Administrator when requesting reimbursement.

There are 5 key components that must be included on the documentation provided, typically found on an Explanation of Benefits or itemized receipt:

1. Name of Patient
2. Name of Provider
3. Date of Service
4. Description of Service
5. Amount



# FSA Custodian; Discovery Benefits

# Discovery Benefits

- Using Funds

- For easy access to your FSA funds, you can swipe your Discovery Benefits debit card and avoid out-of-pocket costs. If you use your card at a provider with an Inventory Information Approval System (IIAS), the expense will automatically be approved at the point of sale.



- You can also file claims through your online account by clicking the “File A Claim” button within the “I Want To” menu on the homepage of your online account.



# Discovery Benefits Resources

## RESOURCES



### **ELIGIBLE EXPENSE LIST**

[www.DiscoveryBenefits.com/eligibleexpenses](http://www.DiscoveryBenefits.com/eligibleexpenses)



### **FSA CALCULATOR**

[www.DiscoveryBenefits.com/fsacalculator](http://www.DiscoveryBenefits.com/fsacalculator)



### **BENEFITS MOBILE APP VIDEO**

[www.DiscoveryBenefits.com/mobileappvideo](http://www.DiscoveryBenefits.com/mobileappvideo)



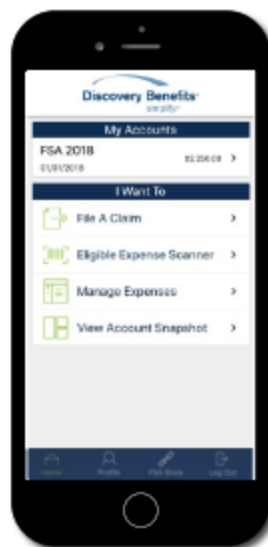
### **FSA 101 VIDEO**

[www.DiscoveryBenefits.com/fsa101](http://www.DiscoveryBenefits.com/fsa101)



### **FSA STORE**

[www.DiscoveryBenefits.com/fsastore](http://www.DiscoveryBenefits.com/fsastore)



If the card is swiped at a merchant that meets the IRS' 90% rule, you may need to provide documentation to show the expense is eligible.

**DOWNLOAD THE APP FOR FREE ON APPLE  
AND ANDROID SMARTPHONES AND TABLETS**



# Colonial Life Group Medical Bridge

# Colonial Life Group Medical Bridge

- Employees enrolled in a Lafayette College Medical Plan (Low Deductible PPO, Standard PPO or Qualified High Deductible Plan + HSA) are covered under the Group Medical Bridge plan.
  - The Colonial Life Group Medical Bridge is a new benefit for 2020 for those enrolled in the Low Deductible & Standard PPO plans
- What is the Group Medical Bridge?
  - The Group Medical Bridge plan through Colonial Life provides an additional layer of protection to help offset out-of-pocket exposure on the medical plans offered by Lafayette College.

# Colonial Life Group Medical Bridge

- How does the Group Medical Bridge plan work?
  - Hospital Confinement Benefit
    - Covered members admitted/confined to a hospital for at least 20 hours receive a lump sum payment of \$1,500 (1x per year, per covered member) for the Qualified High Deductible Plan, or \$1,000 (1x per year, per covered member) for the Standard PPO or Low Deductible PPO.
  - Accident-Only Emergency Room Visit Benefit
    - Within 72 hours of an accident, if a covered member seeks treatment in an Emergency Room because of bodily injury, the policy will pay a lump sum of \$150 (1x per year, per covered member).

# Colonial Life Group Medical Bridge

- How does the Group Medical Bridge plan work?
  - Health Screening Benefit
    - After undergoing a health screening test (see below), the policy will pay covered members a lump sum of \$50 (1x per year, per covered member).

Test	Test
Blood glucose	Electrocardiogram (EKG/ECG)
Bone marrow aspirate/biopsy	Hemoccult stool analysis
Breast ultrasound	Immunizations (excludes flu and allergy shots)
CA125 (ovarian cancer)	Mammogram (breast)
CA 15-3 (breast cancer)	Pap smear/thin prep pap (GYN)
Cancer vaccine	PSA (prostate)
Carotid Doppler	Serum protein (myeloma)
CEA (colon cancer)	Skin biopsy
Cholesterol (HDL/LDL/lipids)	Sigmoidoscopy
Chest X-ray	Stress test (bicycle/treadmill)
Colonoscopy	Thermography
Echocardiogram (Echo)	Triglycerides



# Colonial Life Group Medical Bridge

- How do I get reimbursed?
  - Visit [www.coloniallife.com](http://www.coloniallife.com) to file a claim online

Filing a claim online is simple.



Let us know who the claim is for...



what your claim is for...



then review and submit!



We'll process your payment.

Questions?