



Health Savings Account (HSA) for employers

What is it?

- Tax-exempt account that can be used to pay or reimburse employees for certain medical expenses.

What are some advantages to it?

- HSAs make an employer's benefits package more attractive by helping employees pay out-of-pocket medical expenses in a tax-advantaged way.
- Employer contributions to employees' HSAs are generally deductible business expenses.
- All compliant HSA contributions are tax-exempt for the employee.

What expenses can it be used to pay?

- Most medical, dental, vision, and prescription drug expenses, but not most group or individual insurance premiums. Please read IRS Publications 969 and 502 for more information.

Which employees can have it?

- Employees must be covered under a high deductible health plan (HDHP) to contribute to or establish an HSA. For plan years beginning on or after Jan. 1, 2022, an HDHP is a plan with:
 - A minimum deductible of \$1,400 for self-only coverage and \$2,800 for family coverage (these minimum deductible limits remained the same from plan years beginning in 2021).
 - A maximum out-of-pocket expense limit of \$7,050 for self-only coverage and \$14,100 for family coverage (\$7,000 and \$14,000, respectively, for plan years beginning in 2021).
- In addition, employees generally must not be:
 - Enrolled in any other plan but the HDHP.
 - Enrolled in Medicare; or a dependent on someone else's tax return.

Which employees can have it? Anyone.

How much can be contributed to it?

- For 2022, the limit on all contributions for individuals with self-only HDHP coverage is \$3,650 (\$3,600 for 2021). For individuals with family HDHP coverage, the limit is \$7,300 (\$7,200 for 2021). These limits are \$1,000 higher for individuals age 55 or older at any time during the year.

Can employees carry over funds from year to year? Yes.

Is it portable for the employee? Yes.

What requirements must an employer satisfy?

- If contributing to employees' HSAs through a cafeteria plan, the employer must satisfy certain cafeteria plan nondiscrimination rules. All contributions to employees' HSAs outside of a cafeteria plan must be made on a comparable basis to all comparable participating employees. Comparable contributions must be either:
 - The same amount; or the same percentage of the annual deductible limit under the HDHP covering the employees.
- Comparable participating employees:
 - Are covered by an HDHP offered by the employer.
 - Are eligible to establish an HSA.
 - Have the same category of coverage (self-only or family coverage); and have the same category of employment (generally part-time or full-time).

Can employers offer or contribute to it without also offering a group health plan?

- Yes, as long as those employees are eligible to have a HSA. See "Which employees can have it?" above.

Is it subject to COBRA? No.