



HSA and HRA Transition Considerations

Fall 2016

School districts are free to implement and administer HSAs and HRAs with any qualified plan administrator, consistent with the terms of collective bargaining where applicable. VEHI has partnered with BCBSVT and HealthEquity (HEQ) to provide school districts and their employees with cost-effective resources and support services needed to seamlessly integrate such accounts with their VEHI health plans.

The transition considerations outlined below are specific to accounts with HEQ.

I. Establishing a Health Savings Account

Any employee* enrolled in the Gold or Silver CDHP on **January 1, 2018**, whether enrolled in the CDHP by choice of the employee or the result of the VEHI default process, may establish through their employer an HSA with HealthEquity (HEQ), which will be effective January 1, 2018.

*Individuals covered by another health plan, a standard HRA or a MFSA are not eligible to contribute to an HSA.

- The employer must notify BCBSVT to code the enrollment in a CDHP as **eligible** for an HSA. This will be an option in the spreadsheet used by school business offices to communicate enrollment information for the 2018 health plans.
- If so notified, BCBSVT will notify HEQ to initiate HSA set up. Employees will subsequently receive a welcome packet from HEQ.
- Because the HSA is owned by the employee, employers **must** notify employees directly that the HSA account has been established on their behalf, whether the employer is contributing to the account or not.
- Employers and employees may **both** contribute funds to an employee's HSA, as determined in collective bargaining where applicable. Remember that employee and any

employer contributions are **both** included in the federal annual maximum contributions for HSAs.

- Employees and employers may contribute up to the federal maximum at any time during the year. Be aware, however, that exceeding the annual federal contribution limit has **tax implications and potential penalties** for the **employee**. This may happen if an employee does not remain in a CDHP for a full calendar year. Employees and/or employers are eligible to contribute 1/12th of the federal limit for each month of enrollment in the Gold DCHP or Silver CDHP.
- Monthly administrative charges will be billed to an employer once an employer-authorized account is established, no matter who contributes to it.
- Funding is **not** required to **establish** an HSA. If at any time an employer authorizes HealthEquity to set up HSAs for its employees enrolled in the Gold CDHP or Silver CDHP for an effective coverage date of January 1, 2018, HEQ records will indicate that the account was **formally established** on January 1, 2018, irrespective of when employee and/or employer contributions are made to the account, or even when HEQ sets it up.
- As long as the HSA accounts are **established** by January 1, 2018, all qualified medical expenses **incurred in 2018** will be eligible for reimbursement from future HSA funds, regardless of when in the year the claim was incurred and funds are available.

For example, an employee is enrolled in the Gold CDHP on January 1, 2018, but the district inadvertently neglected to provide the HSA code on the November 15, 2017, enrollment spreadsheet. In January, the employee has a qualified medical expense. In February, 2018, the school district provides BCBSVT/HEQ with the proper code. Funds (from the employee, employer or both) are then deposited in the HSA in March, 2018. Despite the administrative delay, because the HSA had been **authorized** by the employer and the HSA is deemed to have been **established** on January 1, 2018, the employee may use the funds in this scenario to pay the **January** expense.

II. Establishing a Health Reimbursement Arrangement

An HRA may be paired with any of VEHI's four new health plans. Because an HRA is an employer-owned account, it is only available to employees if agreed to by the employer through the collective bargaining process where applicable.

- An HRA is not established until a Plan document is completed. Plan documents outline the rules and conditions of the HRA, and may be amended once a year if needed.
- The decisions on how to structure the HRA Plan document are subject to collective bargaining, where applicable.

- Once decisions about the rules and conditions of the Plan document have been agreed to through the bargaining process, an application is submitted to HEQ to incorporate the rules and conditions into a Plan document.
- HEQ typically requires 60-90 days from receipt of an application to finalize the Plan document and establish the HRA. HEQ has agreed to establish HRAs effective January 1, 2018, for VEHI members if applications are submitted no later than November 15, 2017.
- For employers that submit an HRA application after this date, HEQ will finalize the Plan document and establish the HRAs as expeditiously as possible.
- Once a Plan document is in place, the employer **must** provide BCBSVT with a list of eligible employees.
- BCBSVT will notify HEQ to initiate HRA set-up for each eligible employee. Employees will subsequently receive a welcome packet from HEQ.
- **IMPORTANT:** An HRA must be set up prior to the time an allowable health expense is incurred in order for the expense to be eligible for reimbursement from the HRA.

For example, due to the time it took to make decisions, submit the application and finalize the HRA Plan document, the HRA was not established until March 1, 2018. But an employee incurred a medically qualified expense in January, 2018. This expense is **not** eligible for reimbursement from the HRA. However, the HRA funds are available to the employee **effective March 1** for eligible expenses as outlined in the Plan document for the remainder of the HRA Plan year.