

# HEALTH SAVINGS ACCOUNT

WELCOME KIT



## 1. WHAT IS A HEALTH SAVINGS ACCOUNT (HSA)?

A Health Savings Account (HSA) is a special tax-advantaged savings account similar to a traditional Individual Retirement Account (IRA) but designated for medical expenses. An HSA allows you to pay for current eligible health care expenses and save for future qualified medical and retiree health care expenses on a tax-favored basis.

HSAs provide triple-tax advantages: contributions, investment earnings, and qualified distributions all are exempt from federal income tax, FICA (Social Security and Medicare) tax and state income taxes (for most states).

Unused HSA dollars roll over from year to year, making HSAs a convenient and easy way to save and invest for future medical expenses. You own your HSA at all times and can take it with you when you change medical plans, change jobs or retire.

Funds in the account not needed for near-term expenses may be able to be invested, providing the opportunity for funds to grow. Investment options include money market accounts, mutual funds, etc. To learn more, click on Manage Investments Account tab in the Paylocity Employee Portal.

### WHAT EXPENSES ARE ELIGIBLE FOR REIMBURSEMENT?

Qualified healthcare expenses include:

- Doctor Visits (including co-pays, deductibles, co-insurance, etc.)
- Dental and Vision Services
- Chiropractic Care
- Prescriptions

A list of HSA eligible expenses is available on the IRS website at [www.irs.gov](http://www.irs.gov) in IRS Publication 502.

## 2. HOW DOES AN HSA WORK?

- To be eligible to contribute to an HSA, you must be covered by a qualified high-deductible health plan (HDHP) and have no other first dollar coverage (insurance that provides payment for the full loss up to the insured amount with no deductibles).
- You may use your HSA to help pay for medical expenses covered under a high-deductible health plan, as well as for other common qualified medical expenses.
- Unused HSA funds remain in your account for later, and may be able to be invested in a choice of investment options, providing the opportunity for funds to grow. Check with your financial institution to see if this is an option for your account.

HSAs work in conjunction with an HDHP. All the money you (or your employer) deposit into your HSA up to the maximum annual contribution limit is 100% tax-deductible from federal income tax, FICA (Social Security and Medicare) tax, and in most states, state income tax. This makes HSA dollars tax-free. You can use these tax-free dollars to pay for expenses not covered under your HDHP until you have met your deductible.

The insurance company pays covered medical expenses above your deductible, except for any coinsurance; you can pay coinsurance costs with tax-free money from your HSA. In addition, you can use your HSA tax-free dollars to pay for qualified medical expenses not covered by the HDHP, such as dental, vision and alternative medicines.

### Contributions

Tax-free contributions to your HSA can be made in a variety of ways, including:

1. Pre-tax payroll contributions, if available through your employer.
2. Online payment transfers – transfer funds directly to your HSA from your linked personal savings or checking account
3. Rolling over or making a transfer from an existing IRA (Individual Retirement Account) to an HSA, but only once in your lifetime

### Distributions

Distributions from your HSA are used to pay for qualified medical expenses. This can be done by the following methods:

1. Paying for purchases and medical services using your Debit Card.
2. Using online bill pay through your online Paylocity HSA Employee Portal.
3. Requesting self-reimbursement through the online portal when you have already paid out-of-pocket for qualified expenses.

### How It Works

Your Health Savings Account allows you to save pre-tax income that you can use to pay for qualified short- and long-term medical expenses. It complements your High-Deductible Health Plan, giving you an additional method to save specifically for healthcare costs.

### 3. WHO CAN HAVE AN HSA?

**You must be:**

1. Covered by a qualified high deductible health insurance plan;
2. Not covered under other health insurance;
3. Not enrolled in Medicare; and
4. Not another person's dependent.

Exceptions: Other health insurance does not include coverage for the following: accidents, dental care, disability, long-term care, and vision care. Workers' compensation, specified disease, and fixed indemnity coverage is permitted.

### 4. HOW MUCH CAN I CONTRIBUTE TO MY HSA?

For 2024, the maximum contribution for an eligible individual with self-only coverage is **\$4,150** and the maximum contribution for an eligible individual with family coverage is **\$8,300**. Individuals who are eligible individuals on the first day of the last month of the taxable year (December for most taxpayers) are allowed the full annual contribution (plus catch up contribution, if 55 or older by year end), regardless of the number of months the individual was an eligible individual in the year.

- HSA holders can choose to save up to **\$4,150** for an individual and **\$8,300** for a family (HSA holders 55 and older get to save an extra \$1,000 - and these contributions are 100% tax deductible from gross income.
- Minimum annual deductibles are **\$1,600** for self-only coverage or **\$3,200** for family coverage.
- Annual out-of-pocket expenses (deductibles, co-payments and other amounts, but not premiums) cannot exceed **\$8,050** for self-only coverage and **\$16,100** for family coverage.

	<b>Minimum Deductible</b>	<b>Maximum Out-of-Pocket</b>	<b>Contribution Limit</b>	<b>55+ Contribution</b>
<b>Single</b>	\$1,600	\$8,050	\$4,150	\$1,000
<b>Family</b>	\$3,200	\$16,100	\$8,300	\$1,000

\* Catch-up contributions are allowed for those greater than 55 years of age. Catch-up contributions can be made at any time during the year in which the HSA participant turns 55.

### 5. WHAT IS A HIGH-DEDUCTIBLE HEALTH PLAN (HDHP)?

With a high-deductible health plan, you have the security of comprehensive health care coverage. Like a traditional plan, you are responsible for paying for your qualified medical expenses up to the in-network deductible; however, the deductible will be higher, and you can use HSA funds to pay for these expenses.

After the annual deductible is met, you are responsible only for a portion of your medical expenses through coinsurance or co-payments, just as with a traditional health plan. For 2024, the minimum HDHP deductible by law is **\$1,600** for individuals and **\$3,200** for families.

For 2024, the maximum out-of-pocket expenses by law (including deductible and co-payments, but not including premiums) cannot exceed **\$8,050** for individuals and **\$16,100** for families.

The deductible and maximum out-of-pocket expenses are indexed annually for inflation by the IRS and US Department of Treasury.

### 6. HOW DO I KNOW IF MY HEALTH PLAN IS A “QUALIFYING (OR QUALIFIED)” HIGH-DEDUCTIBLE HEALTH PLAN (HDHP)?

The health insurer or your employer can verify the status of your coverage. In addition, the words “qualifying (or qualified) high-deductible health plan” or a reference to IRC (Internal Revenue Code) Section 223 will be included in the declaration page of your policy or in another official communication from the insurance company. A HDHP is a health insurance plan that generally doesn't pay for the first several thousand dollars of health care expenses (i.e., your “deductible”) but will generally cover you after that. It is important when selecting your HDHP that your insurance carrier verify and guarantee that the HDHP meets IRS regulations to ensure your HSA is qualified.

## 7. HOW DO HSAS DIFFER FROM HEALTH CARE FLEXIBLE SPENDING ACCOUNTS (FSAS)?

Both HSAs and FSAs allow you to pay for qualified medical expenses with pre-tax dollars. One key difference, however, is that HSA balances can roll over from year to year, while FSA money left unspent at the end of the year is limited to a \$570 carryover to the immediately following plan year OR a grace period. Your employer may provide employees with the option to enroll in a Limited Purpose FSA. You may choose to use a Limited Purpose FSA to pay for eligible health care expenses and save your HSA dollars for future health care needs. You may use Limited Purpose FSA dollars to reimburse yourself for expenses not covered by your high-deductible health plan, such as:

1. Vision expenses, including: glasses, frames, contacts, prescription sunglasses, goggles, vision co-payments, optometrists or ophthalmologist fees, and corrective eye surgery
2. Dental expenses, including: Dental care, deductibles and co-payments, braces, x-rays, fillings, and dentures

## 8. WHAT ARE THE TAX ADVANTAGES OF OWNING AN HSA?

### Triple tax savings:

- Contributions are tax free
- Earnings are tax free
- Withdrawals are tax free when made for eligible medical care expenses

### Three kinds of tax-favored contributions:

- Employee contributions that are deductible over-the-line (i.e. deductible even by non-itemizers)
- Employer contributions that are excluded from income and employment taxes.
- Salary reduction contributions made through a Section 125 cafeteria plan.

All three forms of contributions are exempt from federal income taxes. Employer and salary reduction contributions (section 125 cafeteria plan) are exempt from FICA and FUTA as well.

## 9. WHY IS MY EMPLOYER OFFERING AN HSA IN CONJUNCTIONS WITH A QUALIFIED HDHP?

Offering an HSA is an excellent way to help you save for future medical expenses and pay for current expenses with tremendous tax advantages.

## 10. MAY I HAVE MORE THAN ONE HSA?

Yes, you may have more than one HSA and you may contribute to them all, as long as you are currently enrolled in an HDHP. However, this does not give you any additional tax advantages, as the total contributions to your accounts cannot exceed the annual maximum contribution limit. Contributions from your employer, family members, or any other person must be included in the total.

## 11. CAN I GET AN HSA EVEN IF I HAVE OTHER INSURANCE THAT PAYS MEDICAL BILLS?

You're only allowed to have auto, dental, vision, disability and long-term care insurance at the same time as an HDHP. You may also have coverage for a specific disease or illness as long as it pays a specific dollar amount when the policy is triggered.

## 12. CAN MY HSA BE USED TO PAY PREMIUMS?

No, this would be a nonmedical withdrawal, subject to taxes and penalty.

Exceptions. No penalty or taxes will apply if the money is withdrawn to pay premiums for:

1. Qualified long-term care insurance; or
2. Health insurance while you are receiving federal or state unemployment compensation; or
3. Continuation of coverage plans, like COBRA, required under any federal law; or
4. Medicare premiums after age 65.

## 13. CAN I USE THE MONEY IN MY HSA TO PAY FOR MEDICAL CARE FOR A FAMILY MEMBER?

Generally, yes. Qualified medical expenses include unreimbursed medical expenses of the account holder, his or her spouse, or dependents.

## 14. WHAT IS A QUALIFIED MEDICAL EXPENSE?

A qualified medical expense is one for medical care as defined by Internal Revenue Code Section 213(d). The expenses must be primarily to alleviate or prevent a physical or mental defect or illness, including dental and vision. Most expenses for medical care will fall under IRC Section 213(d). HSA money cannot generally be used to pay your insurance premiums.

However, some expenses do not qualify. A few examples are:

- Surgery for purely cosmetic reasons
- Health club dues
- Illegal operations or treatment
- Maternity clothes
- Toothpaste, toiletries, and cosmetics

\*See IRS Publications 502 (“Medical and Dental Expenses”) and 969 (“Health Savings Accounts and Other Tax-Favored Health Plans”) for more information.

## 15. WHAT HAPPENS TO MY HSA IF I QUIT MY JOB OR OTHERWISE LEAVE MY EMPLOYER?

Your HSA is portable. This means that you can take your HSA with you when you leave and continue to use the funds you have accumulated. Funds left in your account continue to grow tax-free. If you are covered by a qualified HDHP you can even continue to make tax-free contributions to your HSA.

Distributions from your HSA used exclusively to pay for qualified expenses for you, your spouse, or dependents are excluded from your gross income. Your HSA funds can be used for qualified expenses even if you are not currently eligible to make contributions to your HSA.

## 16. HOW AND WHEN CAN MONEY BE TAKEN OUT OF AN HSA?

Account holders may make a withdrawal (also known as a distribution) at any time. Distributions received for qualified medical expenses not covered by the high deductible health plan are distributed tax-free. Distributions can be requested via your online account.

Unless individuals are disabled, age 65 or older, or die during the year, they must pay income taxes plus an additional percentage (determined by the IRS) on any amount not used for qualified medical expenses. Individuals who are disabled or reach age 65 can receive non-medical distributions without penalty but must report the distribution as taxable income.

## 17. HOW ARE DISTRIBUTIONS FROM MY HSA TAXED AFTER I AM NO LONGER ELIGIBLE TO CONTRIBUTE?

If you are no longer eligible to contribute because you are enrolled in Medicare benefits, or are no longer covered by a qualified HDHP, distributions used exclusively to pay for qualified medical expenses continue to be free from federal taxes and state tax (for most states) and excluded from your gross income.

## 18. WHAT HAPPENS TO THE MONEY IN MY HSA AFTER I REACH AGE 65?

At age 65 and older, your funds continue to be available without federal taxes or state tax (for most states) for qualified medical expenses; for instance, you may use your HSA to pay certain insurance premiums, such as Medicare Parts A and B, Medicare HMO, or your share of retiree medical coverage offered by a former employer. Funds cannot be used tax-free to purchase Medigap or Medicare supplemental policies.

If you use your funds for qualified medical expenses, the distributions from your account remain tax-free. If you use the monies for non-qualified expenses, the distribution becomes taxable, but exempt from the 20 percent penalty. With enrollment in Medicare, you are no longer eligible to contribute to your HSA. If you reach age 65 or become disabled, you may still contribute to your HSA if you have not enrolled in Medicare. **Note that for some people, Medicare enrollment is automatic.**

## 19. WHAT RISKS ARE THERE WITH AN HSA?

Any funds that you keep in the cash account of your HSA are FDIC insured up to \$250,000. Once a minimum amount is in your cash account, you have the option to make investments via your online portal. As with any investments, these are not FDIC insured.

## 20. HOW DO I MAKE INVESTMENTS?

Please refer to the HSA Investment Options document for a listing of investments available to you along with their return rate. Via your investment portal, you may choose which mutual funds you wish to purchase and sell. You may use your investment portal to review your investments as well as update the percentage allocated to each mutual fund you have chosen.

## 21. WHAT FEES ARE INVOLVED?

Your HSA Administrator may charge service fees for administration and/or services. Please contact them for a list of applicable fees. Refer to the Custodial Agreement with your HSA custodian for any instances of fees that may be charged. Any fees associated with investments will be shown in the mutual fund prospectus.

## MORE INFORMATION

On the Home Page, under the Links tab, you may find links that connect you to helpful information supplied by Paylocity. These may be links to websites or to other valuable resources that enable you to manage your healthcare more effectively.

You can also find additional information on Health Savings Accounts at the following resource: **U.S. Department of the Treasury - Health Savings Accounts (HSAs).**

*This information is provided as a courtesy, may change and is not intended as legal or tax guidance. Employers with questions or concerns outside the scope of an Employee Benefits Services Provider are encouraged to seek the advice of a qualified CPA, Tax or ERISA Attorney or Advisor.*



# GOAL CALCULATOR

HSA

Follow these steps to determine how much you should be saving to meet your healthcare retirement goals.

1. Select your coverage type.
2. Include your deductible amount & enter:
  - a. Your savings goal
  - b. Current HSA balance
  - c. How many years you have left before retirement
  - d. Your estimated monthly health expenses
3. Adjust the average rate of return and inflation rate as needed.
4. Select "Calculate", then "View Report."



**ACCESS THE CALCULATOR HERE**  
<https://www.wexinc.com/wh/calculator>

**Annual Rate of Return:** This is the annual rate of return you expect to receive on your HSA funds. The actual rate of return is largely dependent on the types of investments you select. The Standard & Poor's 500® (S&P 500®) for the 10 years ending Dec. 1st, 2015, had an annual compounded rate of return of 7.76%, including reinvestment of dividends. From January 1970 through to Dec. 2015, the average annual compounded rate of return for the S&P 500®, including reinvestment of dividends, was approximately 10.5% (source: www.standardandpoors.com). Since 1970, the highest 12-month return was 61% (June 1982 through June 1983). The lowest 12-month return was -43% (March 2008 to March 2009). Savings accounts at a financial institution may pay as little as 0.25% or less but carry significantly lower risk of loss of principal balances.

It is important to remember that these scenarios are hypothetical and that future rates of return can't be predicted with certainty and that investments that pay higher rates of return are generally subject to higher risk and volatility. The actual rate of return on investments can vary widely over time, especially for long-term investments. This includes the potential loss of principal on your investment. It is not possible to invest directly in an index and the compounded rate of return noted above does not reflect sales charges and other fees that Separate Account investment funds and/or investment companies may charge.

**Expected Inflation Rate:** This is what you expect for the average long-term inflation rate. A common measure of inflation in the U.S. is the Consumer Price Index (CPI). From 1925 through 2015 the CPI has a long-term average of 2.9% annually. Over the last 40 years highest CPI recorded was 13.5% in 1980. For 2015, the last full year available, the CPI was 0.0% annually as reported by the Minneapolis Federal Reserve.

**You are 55+** Check here if you, as the plan owner, will be 55 or older this year. Your age is used to determine if you are eligible to contribute additional catch-up contributions to your HSA. If you are 55 or older and your HDHP is in effect, you are eligible to deposit catch-up contributions. For 2019 & 2020, the additional amount is \$1000, which is unchanged from 2015. By checking the box you are indicating you are 55 or older this year and are still covered by an HDHP.

Catch-up contributions are not prorated. You can deposit the entire amount into your HSA as long as you are 55 or older at some point during the year.

**Spouse is 55+** Check here if your spouse will be 55 or older this year. Your spouse's age is used to determine what catch-up contribution amount they can deposit into their own HSA. By checking the box you are indicating your spouse is 55 or older this year and that they are eligible to contribute into an HSA.

Please note, your spouse must have an HSA account established in their name and be eligible to make contributions into that account. For example, if your spouse is covered by your family HDHP and is over 55, but has enrolled in Medicare, they would be ineligible to make a catch-up contribution.

In order to put money into an HSA you are required to have a High Deductible Health Plan (HDHP) in effect for either you or your family. A HDHP is simply health insurance that meets certain minimum deductible and maximum out-of-pocket requirements.

The table below shows the limits for HSA's in 2023 & 2024.

HSA CONTRIBUTIONS & LIMITS			
	2023	2024	CHANGE
<b>HSA Contribution Limit</b>	Single: \$3850 Family: \$7750	Single: \$4150 Family: \$8300	Single: \$50+ Family: \$100+
<b>HSA Catch-Up Contributions*</b>	\$1,000	\$1,000	No change, not indexed to inflation
<b>HDHP Minimum Deductible</b>	Single: \$1500 Family: \$3000	Single: \$1600 Family: \$3200	No change, not indexed to inflation
<b>HDHP Maximum Out-of-Pocket**</b>	Single: \$7500 Family: \$15000	Single: \$8050 Family: \$16100	Single: \$50+ Family: \$100+

\*Catch-up contributions can be made any time the year in which the participant turns 55.  
 \*\*This includes deductible amount, co-payments and other non-premium payments.

\*This information is provided as a courtesy, may change and is not intended as legal or tax guidance. Employers with questions or concerns outside the scope of an Employee Benefits Services Provider are encouraged to seek the advice of a qualified CPA, Tax or ERISA Attorney or Advisor.



## WELCOME TO YOUR NEW HSA!

The purpose of this letter is to welcome you, and to provide you with an overview of the benefits you'll receive as a Paylocity Health Savings Account accountholder. WEX Health Inc is the custodian of the Paylocity HSA and investment accounts. Our experience and focus on excellent administration and customer services processes, along with our trusted partners and great technology, help to bring you these benefits:

- Convenient access to your HSA via a user-friendly portal to manage online election change and expense tracking
- Integrated investment portal, meaning only one username and password to remember
- Choice of multiple recognized mutual funds in several investment categories
- Automatic transfers between cash and investment accounts so your funds are always available and you don't need to remember to move funds between accounts
- Easy access to your funds with debit card and direct deposit online distributions
- Paperless administration and online Account Summary Reports

## HOW TO USE YOUR ACCOUNT FUNDS:

**Debit Card:** You may use your Paylocity Benefit Card to access HSA funds to pay for eligible medical expenses. This debit card can be used at any healthcare eligible merchant that complies with IIAS for healthcare related items. Using your Card helps you keep cash in your wallet and makes paying for qualified healthcare expenses with your HSA funds easy.



**Mobile:** Conveniently manage your healthcare information anywhere, anytime with the Paylocity Benefit Account Mobile App. The mobile app makes it easy for you to check account balances, submit claims, and more, on-the-go. Rest easy knowing no sensitive account information is ever stored on the device and secure encryption is used to protect all transmissions.

For additional questions, please contact the Paylocity Customer Service Team at (800) 631-FLEX or [BATHSAoperations@paylocity.com](mailto:BATHSAoperations@paylocity.com).

Wishing you good health and well-being!

## REQUIRED NEXT STEPS

Please reference the following instructions to setup your HSA Account:

1. Your **Paylocity Benefit Card** will arrive (in a separate mailing) in about 7-10 business days. *If you already have a TPA service with Paylocity, you will not receive a new card.*
2. **To finish setting up your HSA, you must log into the Self Service Portal.**

Once logged into the Self Service Portal:

1. Click on Spending Accounts.
2. Read and Accept the Custodial Agreement, Electronic Disclosure, and Patriot Act Requirements.
3. Click on the Account Settings Tab at the top of the screen.
  - a. Enter Beneficiary information.
  - b. Review/add Dependent(s).
  - c. Enter personal bank account information for Online Account Transfers.
    - i. Primary method of payment is Debit Card.
    - ii. Alternate Method of Payment will be the bank account identified as your Main Account.
4. Access HSA Forms in the Self Service Portal
  - a. Click Spending Accounts.
  - b. Select Knowledge Base from the Help drop down menu.
  - c. Search HSA Resources for Paylocity Flex Services.



# ENROLLMENT

HSA

Please fill out the following form to open a Health Savings Account (HSA).

ACCOUNTHOLDER INFORMATION					
Last Name:			First Name:		Middle Initial:
Social Security #:			Employee ID and Employer: <i>(if applicable)</i>		
Date of Birth:			Address: <i>(cannot be a PO Box)</i>		
Daytime Phone:					
Home Phone:					
Email Address:					
Gender:	<input type="checkbox"/> Male <input type="checkbox"/> Female	Marital Status:	<input type="checkbox"/> Single <input type="checkbox"/> Married	Mother's Maiden Name	
Hire Date:		Hours Per Week:		Payroll Frequency:	

## ELECTION

I am enrolling in an HSA through my employer. I authorize my employer to deduct my HSA contributions from my pay and forward them to my HSA. Please complete the section below.

**Note:** Your employer may also make a contribution to your HSA that will apply to your maximum contribution allowed. You are solely responsible for determining whether contributions to an HSA exceed the maximum annual contribution limitation. You are also responsible for notifying the custodian of any excess contribution and requesting a withdrawal of the excess contribution together with any net income attributable to the excess contribution.

**Effective Date of HSA Enrollment:** \_\_\_\_\_

Indicate an annual employee election **or** a pay period election:

Employee Annual Election \$ \_\_\_\_\_ **or** Per Pay Period Contribution \$ \_\_\_\_\_

Indicate HDHP Coverage Level:  Self Only **or**  Family/Other

Indicate if you are enrolled in HDHP through your employer:  yes **or**  no

Your contributions will be withdrawn from your pay in each pay period. If your employer maintains a cafeteria plan that permits HSA contributions, your contributions will be made with pre-tax dollars. You may also make contributions outside of your employment. Please make sure your contributions do not exceed the annual IRS limits.

## PRIVACY POLICY

By executing this form, you acknowledge receipt of the Privacy Policy. You agree to receive future notices of any updates to the Privacy Policy at [www.healthcarebank.com](http://www.healthcarebank.com), and to review the Privacy Policy no less frequently than annually. See Privacy Policy in your Paylocity Employee Portal.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

**RETURN COMPLETED FORM TO YOUR EMPLOYER FOR PROCESSING.**

Questions? Contact Paylocity toll-free at (800) 631-3539 or [batinfo@paylocity.com](mailto:batinfo@paylocity.com).

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