

HSA Compliance *Checklist*



This HSA Compliance Checklist can be used to do a quick assessment of some key aspects of health savings accounts (HSA), including implementation, interactions with other benefits, and employee account eligibility. This is not an all-inclusive list but covers the more common compliance issues that can arise and remedies to help you avoid HSA headaches.

Is your medical plan an HSA-qualified high deductible health plan (HDHP)?

For a medical plan to be HSA qualified, it must meet certain criteria, including:

- Has a deductible that is equal to or greater than the IRS minimum annual deductible ([See Plan Limits](#))
- Has a maximum out-of-pocket that does not exceed the IRS maximum annual out-of-pocket limit ([See Plan Limits](#))
- Does not reimburse any medical expenses (other than preventive care or other IRS approved expenses) prior to the IRS minimum annual deductible having been satisfied.
- If the plan covers prescription drug expenses, these are also subject to the plan deductible and cannot be reimbursed prior to the IRS minimum annual deductible having been satisfied.

- Yes. Great news! Individuals covered by your medical plan may be eligible for an HSA because it is an HSA-qualified HDHP.
- No. Any individual covered by your medical plan would not be eligible to make or receive contributions to an HSA because it is not an HSA-qualified HDHP.

Do you require your employees to certify that they are HSA-eligible before establishing an account?

For an individual to be HSA eligible, they must meet ALL the following criteria:

- Be enrolled in an HSA-qualified HDHP
- Not be enrolled in Medicare
- Not be enrolled in any disqualifying coverage, which includes any plan that can provide coverage for medical or prescription expenses prior to the HDHP minimum annual deductible having been satisfied, including general-purpose health care flexible spending accounts (FSA) and health reimbursement arrangements (HRA) that reimburse medical or prescription drug expenses before the HDHP minimum annual deductible has been satisfied.
- Not be another individual's tax dependent

- Yes. Great news! This is an industry best-practice.
- No. As an employer who sponsors an HSA-qualified HDHP, consider providing the HSA eligibility requirements to your employees and have them certify they are eligible before allowing them to establish an HSA. Best practice is to include an attestation that they are currently HSA-eligible as well as a requirement that they need to notify you if their HSA status would change mid-year.

Does your cafeteria plan allow for pre-tax contributions to an HSA?

- Yes. Great news! HSA-eligible individuals can make pre-tax contributions to their HSA through payroll. In addition, any employer contributions to an employees' HSAs will be treated as though they are made through the cafeteria plan, which typically simplifies nondiscrimination testing.
- No. You are missing out on tax savings for both you and your employees. In order for employees to be able to contribute pre-tax, the cafeteria plan must include this as an available pre-tax benefit. Another downside of not allowing pre-tax contributions to an HSA through your cafeteria plan is that any employer HSA contributions would be subject to the "comparability rules" which sharply limit how an employer can structure such contributions.

Are you clear on the impact your Health Care FSA may have on HSA eligibility?

- Yes. It is important to clearly communicate that a Health Care flexible spending account (FSA) that reimburses medical expenses (also known as a general-purpose health FSA) is not compatible with an HSA, which means that employees covered under the general-purpose health FSA (either your company's or their spouse's employer's) are not eligible to contribute to the HSA. However, an employer can choose to offer a limited-purpose health FSA that only reimburses dental and vision expenses. A limited-purpose health FSA is compatible with an HSA, which means that employees covered under the limited-purpose health FSA are also eligible to contribute to the HSA.
- No. It is important to communicate with employees clearly and accurately about the impact of your Health Care FSA on HSA eligibility. Failure to do so can cause tax headaches for both the employee and employer.

Are you clear on how your Health Care FSA's rollover or grace period impacts HSA eligibility, if applicable?

- Yes. If a participant has unused funds in their general-purpose health FSA on the last day of the plan year, the FSA's grace period or rollover will cause the general-purpose health FSA coverage to continue into the next plan year, which becomes disqualifying coverage during the next plan year. Employers may consider rollover provisions that preserve HSA eligibility, such as converting coverage to a limited-purpose FSA. Be sure to educate employees about this risk or consider amending your Health Care FSA to protect your employees against disqualifying coverage. Read more about impact of rollover or grace period to HSA eligibility at <https://www.ebcflex.com/hsaeligibility/>
- No. It is important to communicate with employees clearly and accurately about the impact of your Health Care FSA on HSA eligibility. Failure to do so can cause tax headaches for both the employee and employer.

Does your Health Care FSA plan year align with your medical plan year?

- Yes. Great news! Employees can make decisions regarding their election of the Health Care FSA at the same time they make their medical plan elections. If an employee wishes to enroll in an HSA-qualified HDHP and contribute (or receive employer contributions) to an HSA, they can waive the general-purpose health FSA and enroll in a limited-purpose health FSA instead.
- No. Participants enrolled in the general-purpose health FSA would not be able to contribute to an HSA for the duration of the Health Care FSA plan year (and possibly the subsequent Health Care FSA plan year if the FSA has rollover or grace period). Enrolling in the HDHP mid-cafeteria plan year is not a permitted election change event and participants cannot drop their Health Care FSA in order to be HSA eligible. Employees should be advised of this. *Consider running a short FSA plan year and syncing the renewal dates for your medical plan and Health Care FSA moving forward.*

Are you clear on how your health reimbursement arrangement (if any) impacts HSA eligibility?

- Yes. It is important to clearly communicate that a health reimbursement arrangement (HRA) that reimburses medical expenses before the HDHP minimum annual deductible is met is not compatible with an HSA. Individuals with this type of HRA cannot have any contributions to an HSA while the HRA is active. However, an employer can design their HRA to be HSA-compatible. The following plan designs are HSA-compatible. An employee can have one of these HRAs and still be HSA-eligible:
- Limited-purpose HRA – an HRA that reimburses dental and/or vision expenses.
 - Post-deductible HRA – an HRA that reimburses medical and/or prescription expenses only after the HDHP minimum annual deductible has been met.
- No. It is important to communicate with employees clearly and accurately about the impact of your HRA on HSA eligibility. Failure to do so can cause tax headaches for both the employee and employer.

Need Assistance?

If you answered no to any of the questions above, we're here to help. EBC is a trusted third party administrator of employee benefit plans with a team of in-house compliance experts who work to apply their skills and knowledge to your specific situation. At EBC, we know one size does not fit all and we're dedicated to collaborating with you to understand your needs and implementing solutions that will best serve the needs of your employees. Let us help meet your compliance needs! [Contact us](#) to start a conversation or if you have any questions.

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