



# Employer Update

July 2009

## LEGISLATIVE UPDATE

### Healthcare Reform & HSAs

Healthcare reform is a hot topic in both media and political arenas, so we wanted to provide a brief update of where things stand and their potential impact on HSAs. Different Congressional Committees are working on competing options for healthcare reform. The Senate Committee on Health, Education, Labor and Pensions has issued a draft of their bill, called the *Affordable Health Choices Act* with an estimated cost of more than two trillion dollars over 10 years. The Senate Finance Committee is still working on its own healthcare reform proposal, which should be released before the August recess. Preliminary reports are that the Finance Committee's version will cost less than one trillion dollars.

Several proposals have included provisions to modify HSAs in order to pay for these reforms. One proposed provision would restrict HSA contributions to the lesser of individual's deductible or the statutory limit. This basically reverses the ability to contribute up to the statutory limit which was put in place in 2007. HSA Bank is opposed to this change because it will restrict individuals from maximizing their savings for out-of-pocket expenses above the deductible and for future medical expenses.

The second provision would increase the penalty for non-medical HSA distributions from 10 percent to 20 percent. Our experience is that almost all HSA accountholders utilize their HSA funds as intended, so we don't expect that this will raise any significant tax revenue. While we don't favor any changes to HSAs, this is the easiest change to live with, since it should not affect many HSA owners.

The third provision would require certification from the employer or from an independent third party that HSA withdrawals were made for medical expenses. HSA Bank is strongly against this "substantiation" provision because it will unnecessarily and greatly increase the administrative costs of an HSA. Since almost all HSA owners utilize their accounts as intended, this will cost consumers and HSA administrators far more in expenses than we believe will be offset by any additional tax revenue.

We urge you to contact your Congressional representatives to oppose any modifications to HSAs. If implemented, they will negatively affect HSA owners and administrators without generating significant tax revenue. HSAs, together with Consumer Directed Health Plans, are helping in a big way to accomplish all of the President's stated goals for healthcare: Reducing costs, letting Americans choose their plan and doctor, and making quality, affordable care available to every American. Let your representatives know!

To contact your **House Representative** [click here](#).

To contact your **States' Senators** [click here](#).

## **EDUCATION IS KEY**

### **Encourage Internet Banking**

Internet Banking gives your employees 24-hour access to their account information and the ability to manage nearly every function of their account. Through Internet Banking, employees can receive email confirmations, view check images, access tax documents and link to additional healthcare resources.

More importantly, they can view their HSA summaries, pending transactions and their account balance, all in real-time. One of our newest and most convenient Internet Banking features is online transfers. This allows employees to link an existing personal bank account with their Health Savings Account. Once linked, employees can easily transfer money to or from their HSA for reimbursements or contributions.

Another important reason to encourage employees to utilize Internet Banking is that it provides great assistance for record keeping. Your employees can view previous statements and tax documents, download their account activity into Microsoft® Money or Intuit® Quicken, or sign up for email notifications on recent transactions.

This convenient employee-focused system is free and secure, but employees are not automatically signed up. Encourage your employees by downloading and providing instructions on signing up for [Internet Banking](#) or making [Online Transfers](#).

## **TIP OF THE MONTH**

### **Comparability Rules on Employer Contributions**

If you are facilitating employee contributions but some of your employees have neither opened an HSA, nor notified you that an HSA exists, are you still responsible for providing that employee with a comparable contribution?

IRS [Guidance 4830-01](#) specifically addresses this circumstance in regards to employees who, by 12/31 of a given year, have neither established an HSA nor notified their employer of an existing account.

The guidance says that the employer has the responsibility to notify the employee (by 1/15) of the opportunity to receive an employer contribution. HSA-eligible employees then have until the last day in February to confirm with the employer that their HSA has been established. The employer is required to contribute a comparable contribution including reasonable interest for responsive employees. However, the employer does not have a responsibility to contribute to the HSA of an employee who either does not establish one, or does not notify the employer of an open account.

If you have questions,



We have answers.

HSA Bank's Business Relations Coordinators can be reached at (866) 357-5232, Monday through Friday,  
7 a.m. - 7 p.m., CT.

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