



# BPC

## Employers Guide to Health Savings Accounts

## Employers Guide to Health Savings Accounts

A Health Savings Account (HSA) is a tax-advantaged medical savings account available to individuals enrolled in a high deductible health plan. Funds put into an HSA are not subject to federal income tax at the time of deposit.

The demand for HSAs is growing as employers and individuals realize the advantages of consumer-driven health care. The BPC HSA is fully integrated with all of our pre-tax benefits plans. It's easy to open, easy to use, and easy to manage. To open an HSA, individuals must first have a qualifying high deductible health plan (QHDHP).

### BPC HSA is that easy!

#### Easy To Open

- Online enrollment creates a virtually paperless environment for employees
- No minimum balance is required when opening a BPC HSA

#### Easy To Use

- It's a seamless solution: employees have complete access to all their benefits accounts (e.g., HSA and limited FSA) on one platform
- A single login gives employees online access to their HSA as well as their investment options
- Employees can access their HSA dollars with either the BPC Benefits debit card or a paper check

#### Easy To Manage

- An array of mutual funds, including an interest-bearing account, gives employees competitive investment choices that are attractive to both novice and experienced account holders
- HSA contributions are automatically swept into the employees' investment accounts when they meet the necessary cash account balance; no need to manually move funds between accounts
- HSA deposits are FDIC insured by Avidia Bank a \$1.1 billion mutual bank, specializing in the management of HSAs

### Employer Advantages

- Flexibility in controlling benefit costs
- Employee retention and attraction
- Tax savings on every dollar employees put into the plan

### Employee Advantages

- Tax savings (Either pre-tax by the employer or with personal tax deduction)
- Budgeting for current or future medical expenses
- May use the funds as claims are incurred or save for future medical expenses
- Tax-free interest or investment earnings
- Enhanced morale



### Qualified HDHP Requirements

A QHDHP has deductible and out-of-pocket requirements. The 2015 QHDHP requirements are:

Minimum Deductible: Single \$1,300 | Family: \$2,600  
Maximum Out-of-pocket: Single: \$6,450 | Family: \$12,900

## HSA Conditions

- The employee must participate in a QHDHP.
- The HSA is “owned” by the employee.
- The employee decides how much to contribute based on his/her out-of-pocket expenses.
- Employer and employee contributions combined may not exceed the IRS maximum contribution (see insert).
- Claim substantiation is maintained by the employee.
- Eligible claims may be reimbursed at the point of purchase or at a later date as determined by the employee.
- Both the employee and the employer may contribute to an employee’s HSA; many employers contribute to employee HSAs. Employer contributions may be made in one lump sum at the beginning of the plan year or pro-rated throughout the year.
- HSA funds are not available to employees until they are in their accounts.
- HSA funds may be used for the employee, spouse and dependent children.

## Contributions

Contributions to the HSA may be made by the employer and/or employee. In fact, contributions may be made by any person. The preferred tax treatment, however, will only be recognized by the employee. Some studies show that employers can save 20 to 30 percent in premiums with a QHDHP .

The employer may choose to use all or a portion of those savings as HSA contributions. Contributions must follow the comparability rules or the Section 125 non-discrimination rules if run through the a cafeteria plan.

If an employee terminates employment, he/she maintains ownership of the HSA. However, if an employee doesn’t enroll in a QHDHP after leaving employment, he/she may continue to use HSA funds for eligible medical expenses, but can no longer contribute to it. An employee must enroll in another QHDHP to contribute to the HSA.

## Tax Treatment

There are two ways to receive a tax credit for HSA Contributions:

- The employer may pre-tax employee contributions through a Section 125 Plan (i.e., POP or FSA);
- The participant may use an above-the-line deduction when filing taxes. If the tax credit is through a Section 125 Plan, the document must state it accordingly.

A self-employed individual of an S Corporation or LLC cannot pre-tax an employee HSA contribution through a Section 125 Plan.

### 2015 HSA Contribution Limits

- Single: \$3,350
- Family: \$6,650

### 2015 Catch up Contributions

Participants age 55 or older may make additional contributions above the set HSA maximum. Participants that don’t have a QHDHP the entire year or enroll in Medicare must pro-ratethe catch up contribution.

Single: \$1,000  
Family: \$1,000



## Investment options

All BPC HSA accounts are funded with an FDIC interest-bearing demand deposit account at Avidia Bank. One unique feature of the HSA is the option to invest in stocks, bonds and mutual funds. All BPC HSA account holders with account balances over \$1,000 have the option to invest HSA funds in a linked self-directed brokerage account with Devenir\*. We recommend that employees discuss investment options with a bank or professional advisor.

\*-Are not insured by the FDIC  
-Are not deposits or other obligations of Avidia Bank and are not guaranteed by Avidia Bank; and,  
-Are subject to investment risks, including possible loss of principal invested.

## Allowable Expenses

Employees may budget for miscellaneous out-of-pocket medical expenses using their HSA account. Participants must retain receipts for anything purchased with HSA dollars in case they are audited by the IRS. If HSA funds are used for anything other than a qualifying expense, penalties will apply.

Funds may be used for previous years' expenses provided the HSA account was opened at the time the expense was incurred. There is no time limit on reimbursements. Account balances roll forward from year-to-year.



## The BPC Benefits Debit Card

The BPC Benefits Debit Card is a debit card that works a like a credit card, except it has a stored value instead of a credit limit. The stored value is the employee's available balance under the employee's HSA. There are no transaction fees or pin numbers with the BPC Benefits Debit Card.

Employees simply swipe the BPC Benefits Debit Card Card at the provider location and choose the "credit/credit card" option. Funds are instantly withdrawn from the HSA and paid to the provider. There are no claims and no waiting for reimbursement.

Employees should save their receipts, however, to ensure compliance with IRS guidelines; the IRS may request receipts in an audit. The card is merchant coded, not merchandise coded. Every merchant who accepts credit cards is assigned one of roughly 1,000 merchant codes. The codes are listed according to industry (e.g., restaurant, pharmacy, dental office) only valid merchant codes are "open" to the card, which means if someone tries to use the card at a restaurant or gas station, it would be declined. It will also decline payment for non-covered expenses, like vitamins.

## Stacked HSA and FSA Benefits Card

Our technology allows one single benefit card to be used for the HSA, Limited Purpose Flexible Spending Account (FSA) and Limited Purpose Health Reimbursement Arrangement (HRA) and a 132 Commuter Transit and Parking Account.

The BPC Benefits Debit Card is “stacked” according to the plan design. Appropriate merchant codes are attached to the card. We handle enrollments and terminations. Because we communicate HSA information directly to the bank, we control how the cards are used and generated.

## Payroll Deduction Funding

Employees can change their payroll contributions throughout the year, so BPC recommends that payroll files be sent in conjunction with each pay period. We will withdraw funds via an ACH transaction from the account of your choice, and distribute it into the individual HSA's of your employees. The employee owns the contributions when they are applied to the account.

With all the rules and regulations involved with HSAs, you don't want employees left with just a bank account and a checkbook and nowhere to turn for assistance or answers to their questions. That's why BPC partnered with Avidia Bank and Alegeus to build a full service HSA administration platform that's more than just a “bank account.”

The unique concept behind BPC WealthCare Portal allows for comprehensive administration on behalf of the employer and the account holder, enabling dynamic HSA services that other solution providers can't (or won't) offer!

## Frequently Asked Questions

### May an employee have an HSA and an FSA or HRA?

Yes, but the FSA and/or HRA must be limited purpose. This works like a standard FSA/HRA but you can only submit claims for vision, dental, preventative co-pays, and post deductible expenses. A limited purpose FSA also allows for dependent care.

### May employees stop/change FSA contributions if they become eligible for an HSA?

No. Employees must have a qualifying status change to stop or change FSA contributions.

### May an employee be covered under a spouse's insurance plan and have an HSA?

No. If the employee has any other coverage, he/she can not open an HSA.

### If the employee and spouse both have a QHDHP, may they both have an HSA?

Yes. However, they may only contribute the annual family maximum amount between the two accounts.

### If the employee has Medicare or Medicaid, may he/she also have an HSA?

No. Anyone currently enrolled in Medicare or Medicaid isn't eligible to open an HSA

### How do Veteran's Administration (VA) health benefits affect the HSA?

If the employee has received VA health benefits in the past three months, he/she may not have an HSA.

### May we set up an HSA for a minor dependent?

No. A dependent may not participate in an HSA.

### May employees continue to use the HSA if they no longer have a QHDHP?

Yes, they may use funds in the HSA; however, they may no longer contribute to it.

### Is the HSA a COBRA qualifying benefit?

No, but the QHDHP may be subject to COBRA.



BPC WealthCare Portal allows 24/7 access to:

- Account balances and history
- Deposit and withdrawal capabilities
- Important forms and documents
- Up-to-date history
- Recent news and benefits updates
- Account statements
- Investment options

### Plan Service Provider

As a plan service provider (PSP), BPC is authorized by the trustee, Avidia Bank, to help account holders set up and manage their accounts in the most beneficial and compliant manner possible.

BPC (Plan Service Provider)	Alegeus (Debit Card Provider)	Avidia Bank (Trustee)
<ul style="list-style-type: none"> <li>• Manage relationship with employer</li> <li>• Manage enrollment/eligibility</li> <li>• Monitor participant's liquid account balance</li> <li>• Provide tier one customer service</li> </ul>	<ul style="list-style-type: none"> <li>• Issue Cards and cardholder information</li> <li>• Transfer information to BPC and Avidia Bank</li> <li>• Validate member account balances</li> <li>• Process point-of-sale transactions from MC/VISA Networks</li> </ul>	<ul style="list-style-type: none"> <li>• Create custodial accounts for participants</li> <li>• Provide welcome kits and checkbooks to participants</li> <li>• Process contribution data (employer and employee credit accounts)</li> <li>• Fund debit transactions with sponsor bank</li> <li>• Transfer information to Alegeus</li> <li>• Provide account statements and reporting (1099 &amp; 5498)</li> <li>• Transfer terminated accounts to individual HSAs</li> <li>• Provide customer service</li> </ul>

BPC is exclusively authorized by Avidia Bank, the HSA trustee to assist HSA account holders in the establishment and management of their accounts. Through BPC WealthCare Portal we deliver a dynamic full service administrative solution that fully connects the HSA with other employer-sponsored reimbursements accounts.

# Top Ten Reasons to Open a BPC HSA

- 1** **Tax-advantaged:**  
Contributions are tax-free, potential interest gains accumulate tax-free and distributions are tax-free when used to pay for qualified medical expenses.
- 2** **Flexible:**  
Funds can be used for non-medical expenses. At age 65, any remaining HSA funds can be withdrawn for non-medical reasons without penalty. Ordinary income tax will be charged on the money withdrawn for non-medical reasons.
- 3** **Portable:**  
The employee owns all HSA account funds. Unlike an FSA, the accumulated balance in the account rolls over from year to year. Accounts move with employees even if they change employment or retire.
- 4** **Convenient:**  
The BPC Benefits Card provides employees with an easy and convenient way to access HSA contributions. Paper checks are provided as well.
- 5** **Independence:**  
Employers prefer the long-term viability of an independent administrator. The relationship the employer has with their HSA administrator or HSA custodian remains consistent, along with all plan processes and resources, even if the employer switches to a different insurance plan.
- 6** **Savings solution for future health needs:**  
Unused contributions accumulate and can be saved and used for future medical expenses or to supplement retirement income. For example, unused funds can be used to pay COBRA or other medical insurance premiums during periods of unemployment or temporary layoff.
- 7** **Customized banking solutions:**  
Our world-class trustee partner, Avidia Bank, is a mutual, FDIC-insured financial services provider that specializes in delivering Internet-enabled banking services to affinity groups nationwide. This partnership enables us to provide clients with a customized banking experience via the BPC WealthCare Portal.
- 8** **Investment options:**  
Employees can select from a spectrum of investment options to match their preferred investment style. Investments are offered through Devenir\*, a subsidiary of Alegeus.
- 9** **Record keeping:**  
Process HSA deposits and withdrawals, post transactions, prepare and distribute bank statements and perform year end reporting on required IRS Forms.
- 10** **Monthly Statements:**  
Sent when the account has any activity (Quarterly Statements are sent to all account holders regardless of activity).

\*-Are not insured by the FDIC

-Are not deposits or other obligations of Avidia Bank and are not guaranteed by Avidia Bank; and,  
-Are subject to investment risks, including possible loss of principal invested.



800-355-2350 | [www.bpcinc.com](http://www.bpcinc.com)