



## *Memo*

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To: Board of Directors  
From: Josselyn Quine  
Date: January 10, 2025  
Subject: Health Savings Accounts and Flexible Spending Accounts

A Health Savings Account (HSA) is a special tax-advantaged savings account available to people who are enrolled in a Consumer Driven Health Plan (CDHP) only. You must be actively enrolled in a CDHP in order to contribute to your HSA. Tax-advantage means any contributions made to the HSA are tax free at the federal level, however they are taxed under California income tax rules.

A Flexible Spending Account (FSA) is an employee benefit that lets you set aside pre-tax money to pay for qualified medical expenses. You can use the money to pay for deductibles, copayments, prescriptions and more. This product is not offered by ACWA JPIA.

Currently, Health Savings Accounts are not offered to District Employees because a CDHP is not a current option. If employees want to elect this plan, the District will have to activate this plan, not to be active until 2026.

It is recommended to not opt into the Consumer Driven Health Plan.

Please see the attached:

The current insurance premiums including Out-of-Pocket expenses and Deductibles, HSA frequently asked questions, and a brochure from an outside company offering Flexible Spending Accounts.

## **2025 Insurance Premium Rates\***

	<b>Kaiser</b>	<b>Anthem PPO</b>	<b>CalCare HMO</b>
<b>Single</b>	\$ 812.70	\$ 888.44	\$ 1,043.50
<b>2 Party</b>	\$ 1,625.40	\$ 1,776.88	\$ 2,087.00
<b>Family</b>	\$ 2,259.31	\$ 2,354.37	\$ 2,765.28

<b>Deductibles:</b>	None	\$200 Person/ \$800 Family	\$0 Person
<b>Out-of-Pocket</b>	\$1,500 Person/ \$3,000 Family	\$2,000 Person/ \$4,000 Family	\$500 Person/ \$1,500 Family

	<b>Kaiser CDHP</b>	<b>Anthem CDHP</b>
<b>Single</b>	\$ 588.04	\$ 710.74
<b>2 Party</b>	\$ 1,176.08	\$ 1,421.48
<b>Family</b>	\$ 1,634.75	\$ 1,883.46

<b>Deductibles:</b>	\$1,650 Person/ \$3,200 Family	\$1,650 Person/ \$3,200 Family
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<b>Out-of-Pocket:</b>	\$3,300 Person/ \$3,200 2-Party \$5,800 Family	\$2,500 Person/ N/A \$4,000 Family
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\*These are the 2025 Insurance Premiums. Might differ starting 2026. We would need to reach out to ACWA JPIA by June 2025 to initiate activating CDHP Plans for 2026 Enrollment.

# HSA Frequently Asked Questions



## **What is a Health Savings Account (HSA)?**

A Health Savings Account is a special tax-advantaged savings account available to people who are enrolled in a Consumer Driven Health Plan (CDHP). You must be actively enrolled in a CDHP in order to contribute to your HSA. Once you are no longer enrolled in a CDHP, you can maintain your HSA and continue to use the money on medical expenses, but you can no longer make contributions to the account.

## **What does tax-advantaged mean in reference to HSAs?**

Tax-advantaged means any contributions made to the HSA are tax free at the federal level. However they are taxed under California income tax rules. Any withdraws from a HSA are tax free at the federal and California level as long as they are withdraws for eligible medical expenses. Withdraws for non-medical expenses are taxed at an individual's normal tax rate. There is an additional 20 percent tax penalty for withdraws made prior to age 65.

## **How can I spend my HSA money without being taxed?**

- Your insurance deductible, copayment, and coinsurance until you reach your health plan's out-of-pocket maximum.
- Qualified health care expenses and some medical expenses excluded from your health plan. This includes dental, vision, and some over-the-counter products. Please refer to IRS Publication 502 for a detailed list.
- Post-tax premiums owed after employment ends such as COBRA or Medicare premiums.

## **How will an HSA plan save me money?**

A HSA plan may save you money through lower premiums, tax savings, and money deposited in your account which can be used to pay your deductible and other out-of-pocket medical expenses in the current year or in the future.

## **How does a HSA differ from a Flexible Spending Arrangement (FSA)?**

You will not lose your HSA funds at the end of the year. You are allowed to roll your HSA balance over each year and take the money with you if your employment ends. You determine if a withdrawal is an eligible expense, so no third party substantiation of claims.

## **What is required of me to be eligible to contribute to a Health Savings Account?**

The IRS has strict guidelines to determine who is eligible to contribute to a HSA. The following requirements must be met in order to receive or make contributions:

- You must be enrolled in a CDHP or High Deductible Health Plan.
- You cannot have other medical coverage. A spouse and/or dependents may have other coverage.
- You cannot have Medicare. A spouse and/or dependents may have Medicare.
- You cannot be claimed as a tax dependent.

## **Can I have a Flexible Spending Arrangement (FSA) or Health Reimbursement Arrangement (HRA) along with HSA?**

No, you may not have access to a traditional Medical FSA or HRA along with a HSA, which includes having access to a spouse's FSA. This type of plan is considered other medical coverage. The only exception to this would be if the plan is specifically a Limited Purpose FSA or HRA that can only be used for eligible dental and vision expenses. Post-Deductible FSA or HRA that only provides medical reimbursements, once the annual deductible has been met, are allowed. The IRS limit of \$3,200 for FSA still applies to the Limited Purpose FSA and Post-Deductible FSA. This limit may change for 2025.

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# HSA Frequently Asked Questions



## **What are the IRS 2025 HSA Contribution Limits?**

- An employee with employee only medical coverage can contribute up to \$4,300.
- An employee with employee plus dependent medical coverage can contribute up to \$8,550.
- HSA holders that are age 55 and older may make an additional \$1,000 contribution.

## **What are the catch-up contributions?**

Catch-up contributions are only available to persons over the age of 55 and without Medicare. If you are covered by your HSA for the entire year, you may deposit the entire catch-up amount starting with the year you turn 55. For 2025, the catch-up contribution limit is \$1,000.

## **Who can contribute to my HSA?**

Anyone can contribute to your HSA, however, only your employer and you will receive a tax benefit from the contributions.

## **How can contributions be made to my HSA?**

- Your employer and you can make tax-advantaged contributions through payroll.
- Contributions can be mailed into your HSA or directly transferred to your HSA from a bank. These contributions would be considered post-tax, so you wouldn't get the tax-advantaged savings until you filed your tax return the following year.
- You can make a one time rollover from an IRA to your HSA. These contributions would count towards your annual maximum limit for that year. Please see IRS Publication 969 for more details on the requirements for this type of rollover.

## **When do expenses have to be incurred?**

Only expenses incurred after you established your HSA are considered eligible expenses. Expense incurred before you establish your HSA are not qualified medical expenses. An account is deemed established once the account holder has opened the account and funds have been deposited into the account for the first time.

## **Whom can the money in my account be spent on?**

Yourself, spouse, and anyone that can be claimed as a tax dependent on your tax return. The dependent does not have to actually be claimed on your tax return but only needs to be eligible.

## **How do I access HSA funds?**

- You can request a HSA Debit Card from the HSA provider to swipe at provider facilities which withdraws the money directly from the HSA.
- You can request a HSA Check Book from the HSA provider which will allow you to pay bills and providers directly from your HSA.
- You can access your online account with your HSA provider and transfer funds from your HSA to your checking or savings account.
- You can call the HSA provider and request a reimbursement check or direct deposit to reimburse out-of-pocket health expenses.

## **Will the HSA provider ask me for proof of my medical expenses when I take a distribution?**

No, you will be required to hold on to receipts and Explanation of Benefits (EOBs) as supporting documentation for the distributions. The only time you will be asked to provide that documentation is by the IRS during an audit.

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# HSA Frequently Asked Questions



## **Can I invest the money in my HSA?**

Yes, once you have a minimum balance in the HSA, you will be allowed to transfer funds into a brokerage account with a variety of investment options. However, before you can access that money to pay for medical expenses, you will be required to sell your investments and transfer the money back to your money market account. HealthEquity's minimum balance is \$1,000.

## **Is it true, you can use money from your HSA for non-preferred providers?**

Yes, money from your HSA can be used to pay for all qualified medical expense. However, if you use in-network providers, you will usually save money. See IRS Publication 502 for a list of eligible expenses.

## **Do I have to continue to pay health insurance premiums if I meet my deductible on my CDHP?**

Yes, the health plan is a separate component from the HSA. You must continue to pay your premiums in order to remain eligible for health benefits and to continue contributing to your HSA.

## **Can the unused funds in my HSA be rolled over each year?**

Yes, your funds will accumulate without a maximum cap. However, the annual limit you can contribute to the HSA may not exceed the maximum contribution amount set by the IRS, plus "catch-up" contributions for those individuals over age 55.

## **Can I take the money out of my HSA anytime I want?**

Yes. You can take money out anytime, tax-free and without penalty, as long as it is used for qualified medical expense. If you withdraw funds for other purposes, you will be subject to income tax. If you are under 65 years old, an additional 20 percent tax penalty will apply to the amount withdrawn.

## **What happens to my HSA if I leave my employer and am no longer enrolled in the CDHP?**

All the money in your HSA is your money. This includes any contributions deposited by your employer on your behalf. These funds may continue to be used on qualified medical expenses listed in IRS Publication 502. Remember, you can only contribute to your HSA when you are enrolled in a CDHP.

If you enroll in a new HSA qualified CDHP/HDHP either individually or with a new employer, then you may contribute to your HSA. HSA qualified health plans meet certain IRS plan design requirements that make them valid to be used with an HSA.

## **Helpful Tips:**

- Learn more about your plan by reading your plan documents carefully and/or ask HR or insurance carriers any questions you might have.
- Review past Explanations of Benefits (EOB) for ongoing medical issues that you will continue to receive care for once you are enrolled on the CDHP.
- Visit the carrier's website for in-network provider search.
- Inform your doctor's office that you are on a CDHP and ask for an estimate for the service(s) you may need.
- Check the IRS list of "qualifying healthcare expenses" to see what types of healthcare costs you can pay for with your HSA. (IRS Publication 502)
- Keep a record and copy of all your healthcare receipts and claims. This will help you keep track of your expense and know when you met your deductible.
- Get recommended preventive screenings and regular checkups and talk to your doctor about what you can do to stay healthy.

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# Consumer Driven Health Plan with an HSA



## What is an Consumer Driven Health Plan (CDHP)?

Consumer Driven Health Plan (CDHP) is a health plan product that combines a Health Savings Account (HSA) with High Deductible medical plan. It provides insurance coverage and a tax-advantage way to help save for future medical expenses.

## What are the general features of an CDHP?

- For 2025, both the Anthem and Kaiser CDHPs have an annual deductible of \$1,650 for Self only coverage and \$3,300 for Self and Family coverage.\*
- For the Kaiser CDHP, the 2025 annual out-of-pocket limits are \$3,300 for Self Coverage and \$5,800 for Self and Family coverage. Anthem's annual out-of-pocket limit for 2025 is \$2,500 for Self Coverage and \$4,000 for Self and Family coverage.\*
- Deductibles are included in the out-of-pocket maximum.
- In-network preventive care services are provided at no cost.

HSA \$\$

Coinsurance or Co-pays until Out-of-Pocket Maximum Is reached

## What are the covered Preventive Care Benefits?

Preventive care includes, but is not limited to the following:

- Periodic health evaluations, including test and diagnostics procedures ordered in connection with routine examinations, such as annual physicals
- Routine prenatal and well-child care
- Child and adult immunizations
- Tobacco cessation programs
- Screening services (cancer, heart, mental health, pediatric, vision, etc.)

HSA \$\$

Deductible

Free!

Preventive Care

## What will I have to pay?

After you meet your deductible, you still have to pay co-pays and/or co-insurance for covered medical services and prescriptions drugs up until you meet the out-of-pocket maximum cost.\*

## How does the payment process work when I am in an CDHP plan?

After your healthcare provider submits the claims to the insurance carrier for your visit, you will receive an Explanation of Benefits (EOB) in the mail. If there is an amount due, it will appear on your EOB and you will receive a bill from your healthcare provider for that amount.

## How will I know when I meet my Deductible?

The Explanation of Benefits (EOB) that you receive after a service will show whether you have met your deductible or not.

\*Remember that your plan may have different deductibles for single and family coverage. Also, your plan may have separate deductibles for different types of services, like in-network and out-of-network care. Before you visit the doctor, read through your plan documents, call the insurance company, or talk to HR so that you know exactly what is covered and what you will need to pay before and after you meet your deductible.

# Flexible Spending Accounts

Help employees save on eligible health and dependent care expenses.



A flexible spending account (FSA) is a benefit that offers money-saving, tax-advantaged funds for participants to use on their everyday health and dependent care expenses. Employers choose from **health care, limited health, and/or dependent care** FSA options.



## FSA Options

When choosing to offer an FSA, employers can offer one or more of the following account types:

**Health Care FSA** | Pay for eligible medical, vision, and dental expenses that are not covered by another health plan, including prescriptions and over-the-counter medications and products.

**Limited Health FSA** | Pay for eligible vision and dental expenses that are not covered by another health plan.

**Dependent Care FSA** | Pay for eligible dependent care expenses for children or other eligible dependents.



## Plan Design Options

Customize your plan to fit your benefits offering.

**Rollover** is a popular plan option that allows up to a specified amount of unused funds to roll from one plan year to the next. Rollover is not available for dependent care FSAs.

**Grace Period** gives an additional period of time to incur claims after the end of the plan year when rollover is not offered.

**Runout** allows extra time after the end of the plan year to submit claims for eligible expenses incurred during the plan year.



## Benefits Card

The Benefits Card lets participants pay for eligible expenses directly from their health care FSA or limited health FSA rather than needing to submit a claim and wait for reimbursement.

- Smart technology allows all account-based products to be loaded onto one Benefits Card
- Additional and replacement cards available at no cost
- Primary cardholders can add the Benefits Card to their digital wallet and use wherever Apple Pay, Samsung Pay, and Google Pay are accepted
- Benefits Card management available online and through *EBC Mobile*
- Participant Services contact information on the back of the card

The Benefits Card is available for the health care and limited health FSAs. Dependent care FSA participants can conveniently submit claims online or through the mobile app.



## Technology Features

Employer administration and participant account management is available all day, every day with our online accounts and mobile app, *EBC Mobile*. Claims submitted through the online account or mobile app are processed within 2 business days and electronically deposited in the participant's bank account when direct deposit is set up.

### Plan Features

- Runout, grace period, and/or rollover support for mid-year takeovers
- Multiple claim funding options
- Compatible with health savings account (HSA) and limited health reimbursement arrangement (HRA)
- Auto-convert feature available for participants with a standard health FSA who are interested in enrolling in an EBC HSA. Funds in the standard health FSA are automatically converted to a limited health FSA to maintain HSA-eligibility.

### Included Compliance Support

- Nondiscrimination testing at the end of the plan year, including all 9 required tests for FSAs and cafeteria plans
- FSA Plan Document and Summary Plan Description
- Annual Form 5500 filing (if required)