Wespath

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Health Savings Accounts (HSA) for Participants in HealthFlex Health Savings Account Plans

Participants who choose a HealthFlex HSA Plan—considered by the IRS to be a "qualified high-deductible health plan," have the option to contribute to a tax-advantaged health savings account (HSA). Personal HSA contributions can be deducted from your compensation on a pre-tax basis or may be contributed on an after-tax basis and sent directly to the HSA custodian for HealthFlex HSA Plans. HSA funds can be used to reimburse yourself for eligible health-related expenses.

An HSA is a triple federal tax-advantaged account when paired with an IRS "qualified high-deductible health plan" (e.g., a HealthFlex HSA Plan):

1. HSA contributions are made on a pre-tax basis.
2. HSA interest or investment earnings accrue tax-deferred.
3. HSA withdrawals are tax-free for eligible expenses.

An HSA can be used to pay for eligible health-related expenses that are not reimbursed through the health plan. Common eligible expenses include annual deductibles, co-payments, co-insurance, and other out-of-pocket expenses for medical, prescription drug, and behavioral health care services and eligible supplies, as well as eligible expenses related to vision and dental. For some people, the HSA is an attractive offering because they can save pre-tax money for future medical expenses, including retiree health costs, while still being able to access at any time for eligible expenses.

HSAs can be a great tool for long-term, tax-advantaged health savings. However, they have unique rules, restrictions and tax implications. If you are considering enrolling in a HealthFlex HSA Plan, please read this document carefully before electing your plan. You may also want to consult with a tax adviser. Contact EY Financial Planning Services at **1-800-360-2539** or another financial professional to explore how different investing scenarios best fit your current and long-term needs.

EY Financial Planning Services are available to active participants and surviving spouses with account balances in Wespath-administered retirement plans. Costs for EY services are included in Wespath's operating expenses that are paid for by the funds Wespath administers.

Note: *HealthEquity is the administrator and custodian for HealthFlex HSAs.*

HSA Eligibility

You may be *eligible* to open and/or contribute to an HSA if you are enrolled in a HealthFlex HSA Plan (H2000, H2500 or H5000 with HSA).

Additional health-related reimbursement accounts (including spouse's accounts) must be limited to:

- Limited-use health care flexible spending account (FSA)[1], —*for dental and vision expenses only, until the IRS-defined deductible is met*
- Limited-use health reimbursement account (HRA)[1]—*for dental and vision expenses only, until the IRS-defined deductible is met*
- Retiree HRA

[1] **The FSA and/or HRA will remain a limited-use FSA and/or HRA until you notify HealthEquity that you have met the applicable IRS-defined deductible; then the FSA and/or HRA can be used for all eligible health care expenses. (2024 IRS-defined deductible: $1,600 individual coverage/$3,200 family coverage).**

HSA Contribution Ineligibility

You are *not eligible* for HSA contributions if you fit any of these categories, and therefore should consider *not* selecting a HealthFlex HSA Plan:

- Covered under any health plan that is not an IRS qualified high-deductible health plan (e.g., a spouse's plan)
- Claimed as a dependent on another individual's tax return
- Enrolled in Medicare, including:
  - Participating in the Medicare Secondary Payer Small Employer Exception (MSPSEE) program,
  - Receiving Social Security retirement benefits,
  - Enrolled in only Medicare Part A, *or*
  - Enrolled in Medicare due to disability
- Enrolled in Tricare

Additionally, if you are in an HSA Plan, you are not allowed to have either of the following until you have met a minimum deductible[1] defined by the IRS:

- Full-use health care FSA (must convert to *limited-use* health care FSA[1]—*for dental and vision expenses only, until the IRS-defined deductible is met*)
- Full-use HRA (must convert to *limited-use* HRA[1]—*for dental and vision expenses only, until the IRS-defined deductible is met*)

Full-use restriction also applies if your spouse has a full-use health care FSA and/or full-use HRA. The HSA is compatible only with a limited-use health care FSA[1] and/or limited-use HRA[1]—for dental and vision expenses only, until the IRS-defined deductible is met.

Who Can Use the HSA Funds

According to the IRS, the HSA funds can be applied to eligible health care expenses incurred by:

- Primary participant (i.e., the clergyperson or lay employee, or, in some cases, surviving spouse or spouse in HealthFlex when clergy/lay employee is in a Medicare plan)
- Participant's spouse (even if not in HealthFlex HSA Plan)
- Participant's eligible dependents[2] (even if not in HealthFlex HSA Plan)

HSA Contributions and Limits

Your HealthFlex HSA may include employer funding at the beginning of the plan year. The contribution amount varies based on which HSA Plan is selected (H2000, H2500 or H5000[3]) and selection of individual or family coverage.

In addition, you have the option to add your own contribution to the HSA through pre-tax payroll contributions, or by sending personal contributions directly to the HSA custodian (HealthEquity) at any time during the year.

The IRS determines maximum-allowed HSA contributions (i.e., contribution limits) each year. The annual contribution limits apply to *total HSA contributions,* which include employer funding plus optional contributions you make to the HSA, plus any excess premium credit (if applicable—for HealthFlex participants only).

HSA annual contribution limits (for 2024)

- Individual coverage in HDHP: **$4,150**
- Family coverage in HDHP: **$8,300**
- Participants age 55 and older: eligible for **extra $1,000** contribution for individual or family coverage (up to **$5,150** individual or **$9,300** family)

There is no limit on gains/losses in interest or investment earnings/losses.

Note: *If you and your spouse each have separate HSAs (including if you and/or your spouse both have family coverage) the family contribution limit applies to both HSAs combined. However, if you and your spouse each have individual medical coverage, then the individual HSA limit applies to each of you.*

[1] The FSA and/or HRA will remain a limited-use FSA and/or HRA until you notify HealthEquity that you have met the applicable IRS-defined deductible; then the FSA and/or HRA can be used for all eligible health care expenses. (2024 IRS-defined deductible: $1,600 individual coverage/$3,200 family coverage).

[2] All dependents you claim on your tax return are considered HSA eligible dependents.

[3] H5000 does not have a plan sponsor contribution unless there is excess premium credit.

To get an idea of the amount of your compensation you may want to contribute pre-tax to an HSA, consider what expenses you anticipate for the coming year, including co-payments, co-insurance or deductibles under the HealthFlex plan design(s) you elect. You may also want to consider additional contributions to save for future health care expenses or retirement, since these funds will not be "lost" if not used each year. Using a HealthFlex limited-use health care flexible spending account for dental and/or vision expenses can also help you "save" more HSA contributions for the future and leverage additional tax-advantages. You may also use ALEX Benefit Counselor to help estimate your expenses and how much to set aside.

Remember: Your optional pre-tax contributions, your optional after-tax contributions plus any employer contributions or excess premium credit cannot collectively exceed the HSA contribution limit defined by the IRS. For further information regarding eligible expenses, please call HealthEquity at **1-844-341-6998** or go to **benefitsaccess.org**, click "**Health Details"** and then click "**Health & Reimbursement Accounts**."

Tax Implications

Please consult with a professional tax adviser for more information and specific questions.

- You are responsible for the accuracy of all tax reporting and information submitted to the IRS.
- HSA contributions from your plan sponsor (employer) are not taxable and not included in gross income. Likewise, pre-tax contributions made on a pre-tax basis are not included in gross income. However, both plan sponsor (employer) and personal HSA contributions must be reported in box 12 of your *IRS Form W-2* with a Code W, along with any additional premium credit overages or incentives posted to your HSA.
- If HSA funds are used for non-eligible expenses, the amount used for non-eligible expenses is treated as taxable income and may be subject to a tax penalty (under age 65). Any penalty is paid with the IRS federal tax return; penalties are not administered by HealthFlex or HealthEquity.
- "Excess contributions" are contributions to the HSA that exceed the allowable annual contribution limit; excess contributions may be subject to an IRS excise tax.
- To avoid paying an excise tax, you can withdraw the excess contributions plus any earnings by April 15 of the following year (i.e., the normal tax-filing deadline) and include this withdrawn contribution amount as "other income" on your tax return for the year excess contributions and earnings were withdrawn.

Rollover and Portability

- Unused HSA funds roll over year to year, with no limit on the amount rolled over or accumulated; any accumulated balance does not reduce eligibility for future year contributions.
- If you leave a HealthFlex HSA Plan (for example, you elect a different type of HealthFlex plan or leave HealthFlex altogether because you retire or cease working):
  - You can no longer contribute to your HSA
  - Your plan sponsor will no longer contribute to the HSA
  - You do not lose the HSA balance accumulated to date
- The HSA balance is owned by you and cannot be forfeited.

For More Information

HSA rules are complicated, and have financial and tax implications. This document provides an overview of HSA rules and restrictions, but is not meant to be all-inclusive. Please consult with a tax professional for your specific questions and situation. For more detailed information about HSAs, HRAs and FSAs, visit **www.irs.gov**.

You can also find much more detailed information about HSA eligibility, contribution limits and tax implications in the HealthEquity *Custodial Agreement and Cardholder Agreement*—available online through **benefitsaccess.org**; click on the "**Health**" tab, select "**Plan Details**" from the Health shortcuts and look under the **"Reimbursement Accounts"** label.

If you decide to enroll in a HealthFlex HSA Plan, you may also direct questions about your HealthFlex HSA to HealthEquity.

Details about interest/investment options, fees and interest rates can be obtained directly from HealthEquity.

Helpful Reminders When Using Your HSA Account

1. HealthFlex and HealthEquity require that you accept the HSA terms and conditions when enrolling in an HSA Plan. If you do not accept the terms and conditions, an HSA will not be opened for you and you will not receive any employer contribution associated with the plan you elected.
2. Employer funding is available in its entirety at the beginning of the plan year. Your personal contributions are available as they are withheld/contributed.
3. There are multiple ways to submit a request for reimbursement from your HSA through HealthEquity. Visit the HealthEquity website by logging into BenefitsAccess.org, clicking the "**Health Details**" button and then selecting "**Health & Reimbursement Accounts**." On the HealthEquity site, look for one of the following links:
   - "Pay Provider"
   - "Reimburse Me"

   You can also pay by debit card.
4. You can continue to request reimbursement in future years if you still have a balance, although no new contributions (participant or plan sponsor) can be added unless you are enrolled in an IRS qualified high deductible health plan.
5. You can withdraw funds from HealthEquity and open an HSA with another institution. Coordination with other HealthFlex reimbursement accounts (e.g., limited purpose FSA paying first for dental and vision services) would no longer occur, and you could no longer access your HSA funds with your HealthEquity debit card. You are responsible for any taxes/penalties/fees due to withdrawal of funds.
6. You can change the pre-tax amount that you elected to contribute to your HSA via payroll deductions by contacting the Wespath Health Team or your plan sponsor. You can also submit additional payments directly to HealthEquity.
7. Since pre-tax contributions made via salary deduction will reduce your compensation for Social Security tax purposes, your future Social Security benefits (based on compensation level) could be decreased.
8. Investment options available through HealthEquity are not Wespath funds and are not subject to Wespath's Sustainable Investment Strategies, meaning that the HealthEquity funds will likely include investments in companies that manufacture products and/or provide services that are not aligned with United Methodist values. All investment options from HealthEquity are subject to market risks. The value of HSA funds transferred to investment accounts may change daily based on fair market values, which means an investor may experience gains or losses. It is possible to lose money by investing HSA funds outside of the interest bearing account. HealthEquity may also impose a management fee, which they must disclose. You are not required to invest your HSA funds and do so at your own risk. Consult with EY or another financial professional.

Helpful Terms

Co-insurance	Percentage of health care expense paid by individual and/or HealthFlex plan
Co-payment (copay)	Flat dollar amount individual pays toward health care expense
Credit	Premium credit—amount your plan sponsor gives you toward your HealthFlex premiums
Deductible	Amount the individual pays in full before plan co-insurance begins (does not include co-payment)
FSA	Flexible spending account (two types—health care and dependent care)
HRA	Health reimbursement account
HSA	Health savings account
Out-of-Pocket Max (OOP)	Maximum amount the individual pays for covered medical, pharmacy and behavioral health expenses
Premium	Your monthly (or annual) health plan payment to enroll in a plan

Disclaimer: *This document is provided as a general informational and educational service to HealthFlex participants. This document does not constitute legal, tax or consumer advice. Readers may wish to consult with a tax adviser, legal counsel or other professional adviser before acting on any information contained in this document. Wespath expressly disclaims all liability in respect to actions taken or not taken based on the contents of this document.*