



Benefits Briefing

[Return to Tri-Star Web Site](#)

***December 3, 2003
Issue # 6***

Editor's Note

in this issue....

- [New "Health Savings Accounts"](#)
- [Debit Card Update](#)
- [FSA Rollovers "Left on the Conference Floor"](#)
- [How To Contact Us](#)
- [Past Benefits Briefings](#)

In an effort to keep you informed of regulation issues and new developments, we will be sending quarterly issues of our newsletter, Benefits Briefing. If there are HR contacts at your company who would benefit from this, please give us their names and email addresses, and we will add them to the distribution list.

New "Health Savings Accounts"

Included in the recent Medicare Prescription Drug and Modernization Act are provisions to amend the Internal Revenue Code to allow for "Health Savings Accounts" (HSAs). The account would be available to almost anyone covered under a statutorily defined high deductible medical plan. It appears to be the newest tax preferred benefit provided to us by Congress in the evolving trend toward "Consumer Driven Health Care."

The HSA may be funded by employer, employee, or a combination of employer and employee contributions and is an eligible IRC Section 125 Cafeteria Plan benefit. It is effective for taxable years beginning January 1, 2004, although it seems unlikely to be included in many 2004 Cafeteria Plans since most enrollments are either already completed or underway.

Highlights of the Act's provisions include:

- Eligibility is limited to individuals participating in a statutorily defined high deductible health plan (HDHP) with an annual deductible of not less than \$1,000 single or \$2,000 family and out-of-pocket maximums (including the deductible) of not more than \$5,000 single or \$10,000 family.
- Participants cannot be covered by any other major medical insurance, including FSAs or HRAs, except for workers' compensation, liability, specified disease (e.g. cancer insurance) or daily hospital indemnity insurance.
- Contributions may be made by an individual as a deduction from adjusted gross income, or in a Cafeteria Plan on a pre-tax basis. Employer contributions are deductible and not taxable to the employee.
- Contributions are limited to the lesser of the annual deductible or \$2,600 individual/\$5,150 family.
- Contributions must be trustee and individual balances are not forfeitable and are transferable (similar to 401k balances).
- Distributions are not taxed if made for "qualified medical expenses" (similar to the HRA and FSA rules), insurance premiums for COBRA, qualified long-term care insurance, or a health plan maintained by an individual receiving unemployment insurance. Additionally, for those over 65, health insurance other than a Medicare supplement policy are also "qualified medical expenses".

The issue of claims adjudication and substantiation of "qualified medical expenses" was not addressed in the Act. Hopefully, the Internal Revenue Service and Department of Labor will issue

guidance soon. At Tri-Star we will continue to monitor developments and be prepared to consult on and administer HSAs.

[Back to Top](#)

Debit Card Update

The Medicare Prescription Drug Act gave Debit Card reimbursements relief from the previous IRS Form 1099 reporting requirement for disbursements to providers of amounts over \$600. This eliminates the major drawback (other than cost) of using debit cards for Health Care Reimbursement Accounts. Tri-Star has contracted with *mbi* for use of their "Flex Convenience" Debit Card for 2004. Call Ken Dixon at 314/985-0284 for a quote.

[Back to Top](#)

FSA Rollovers "Left on the Conference Floor"

Proposed provisions for a rollover of up to \$500 of unused FSA contributions was cut from the Medicare Prescription Drug Act and other yearend bills. The provision had strong bi-partisan support, but was eliminated because of the estimated \$8 to 15 billion tax revenue loss implications. We look for the Rollover Provision to be revived in 2004 legislation.

[Back to Top](#)

Contact Us

Please feel free to forward this issue to friends and associates. Anyone can **subscribe** for free: Email stacy.hargrave@tri-starsystems.com and ask for the newsletter. Please include the name and email address of the person you wish to receive the newsletter.

To **unsubscribe** from this list: Email stacy.hargrave@tri-starsystems.com with the word "unsubscribe" in the subject line or anywhere in the email.

TO CONTACT US:

Stacy Hargrave

Tri-Star Systems

stacy.hargrave@tri-starsystems.com

14323 South Outer 40 Road, Suite 400 North

Chesterfield, MO 63017-5734

(314) 985-0262 or (800) 727-0182 Ext. 115

[Back to Top](#)

[Visit Us at <http://www.tri-starsystems.com>]

© 2003 Tri-Star Systems

Tri-Star Systems is a division of Tri-Star Benefit Systems, Inc. of Chesterfield, Missouri