

## **Health Savings Account Policy**



**Effective Date:** 6/28/2023

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### **POLICY SCOPE:**

The Town of Stow offers a high deductible health plan with a Health Savings Account to all benefit eligible employees.

### **APPLICABILITY:**

This policy applies to full time and part time employees who work twenty (20) hours or more for the Town of Stow. Employees governed by a collective bargaining agreement are subject only to those provisions of this policy not specifically regulated by law or agreement.

### **DEFINITION:**

**Health Savings Account (HSA)** is a tax-advantaged medical type of savings account that lets you set aside money on a pre-tax basis to pay for qualified medical expenses. While you can use the funds in an HSA at any time to pay for qualified medical expenses, you may contribute to an HSA only if you have a **High Deductible Health Plan**. By using untaxed dollars in an HSA to pay for deductibles, copayments, coinsurance, and some other expenses, you may be able to lower your overall health care costs. The money in an HSA belongs to you, the employee, and rolls over into the next year.

**High Deductible Health Plan (HDHP)** is a health plan with a higher deductible and lower premium than a traditional health plan. Except for preventive care, you must meet the annual deductible before the plan pays benefits. You pay nothing for preventive care services received from an in-network provider.

### **POLICY DESCRIPTION:**

The Town of Stow offers High Deductible Health Plans at a lower premium than the traditional plans. As an incentive for employees to join a lower premium plan, the town contributes \$1000.00 to an employee's HSA when subscribed to an individual health plan. The town contributes \$2000 to an employee's HSA if they subscribe to a family plan.

### **PROCEDURE:**

New employees may sign up for a high deductible health plan will be enrolled in the HSA after one (1) month of employment and the contribution will be prorated to the number of months worked in the current fiscal year. The town will contribute up to \$1000 for an individual plan and up to \$2000 for a family plan. These amounts are subject to change.

Current employees may sign up for a high deductible health plan each year during open enrollment which typically runs from mid-April to mid-May. The town will contribute \$1000 for an individual plan and \$2000 for a family plan to your HSA. Half of the payment will be made in July and the second half will be paid in December of each fiscal year. The Town's contribution counts toward your annual contribution. These amounts are subject to change.

The amount you can contribute is regulated by the IRS. IRS limits depend on the type of plan an employee has (family vs individual) and the age of the employee. Employees who are over 55 are allowed by the IRS to contribute \$1,000 more than the annual contribution limits for the respective calendar years. You can make additional voluntary tax-deductible contributions into your HSA, up to an allowable amount determined by IRS rules. The IRS limits the amount you can contribute in a calendar year. Your HSA dollars earn tax-free interest. The IRS adjusts the limits each tax year.

You may allow the contributions in your HSA to grow over time, like a savings account. The HSA is portable – you may take the HSA with you if you leave the Federal government or switch to another plan.

The Town of Stow uses Health Equity as our third-party administrator for our HSA. You can find more information on their website at: <https://healthequity.com/learn/hsa>.