



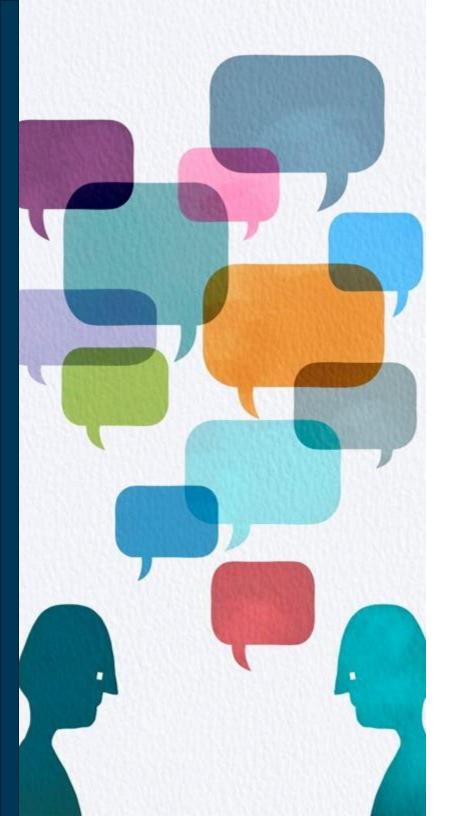
# Holly Murrah

National Development Executive for McGriff Flex and COBRA

- Liability Claims Adjuster
- Property & Casualty Sales
- Health & Life Sales
- Supplemental EB



# More



## Agenda

**Section 1** What are Flexible Benefits?

**Section 2** FSAs and HSAs

Section 3 Employee Education

Don't forget to check out the BONUS CONTENT section afterwards for additional details!

# Section 1 What are Flexible Benefits?

#### Flexible Benefits: the basics

These plans give employees more control over their benefits while often providing tax advantages.

They help eliminate the feeling of one-size fits all coverage because employees typically get to choose from a menu of options and customize selections based on their unique circumstances, such as their age, family size, health needs and personal interests.

Typically, no cost for the employee to participate and funding can be a mixture of employee contributions and/or employer contributions.

Most are funded by employees, using pre-tax contributions from their paycheck

Employers save on payroll taxes for every pre-tax dollar employees contribute



## Common Flexible Benefit Options



Flexible Spending Account / Health FSA

**Dependent Care FSA** 

**Limited Purpose FSA** 

**Health Savings Account** 

**Transportation Spending Account** 

Health Reimbursement Arrangement

Lifestyle Spending Account



#### Administration Costs

- Determined by quote fees typically vary by service <u>and</u> group size
- Employers save 7.65% in payroll taxes for every pre-tax dollar contributed by employees.
  - → For every \$1000 in employee contributions = \$76.20 saved in payroll taxes



Oh wow!
Our savings on
payroll taxes
more than covers
our admin
expenses.





Source: <a href="https://www.franklintempleton.com/articles">https://www.franklintempleton.com/articles</a>
/2024/retirement/great-expectations-aligning-on-workplace-benefits



Financial Wellness

# Financial Stress







## Why work with a Third-Party Administrator?



They handle the day-to-day administration of complex plans with ever-changing rules and regulations to free up your time and keep you in compliance.

#### **Typical Services Provided**

- The Plan Document
- Non-discrimination testing (NDT)
- Plan designs
- The establishment and maintenance of participant accounts
- Access to debit cards
- Claims adjudication
- Access to an employee portal and sometimes, a mobile app





Attention!

- Flexible benefit rules, regulations, and maximum contribution limits are reviewed annually by the IRS and are subject to change.
- For the most accurate information, please reference publications found on the IRS website.

https://www.irs.gov



# Section 2 FSA and HSAs

# IRS Publication 502 —"What Are Medical Expenses?" See also tax code Section 213D



#### Medical expenses: the IRS Definition

Medical expenses are the costs of diagnosis, cure, mitigation, treatment, or prevention of disease, and for the purpose of affecting any part or function of the body. ...

These expenses include payments for <u>legal</u> medical services rendered by physicians, surgeons, dentists, and other medical practitioners. They include the <u>costs of equipment, supplies, and diagnostic devices</u> needed for these purposes.

Medical care expenses <u>must be primarily to alleviate or prevent a physical or mental disability or illness</u>. They don't include expenses that are merely beneficial to general health, such as vitamins or a vacation.

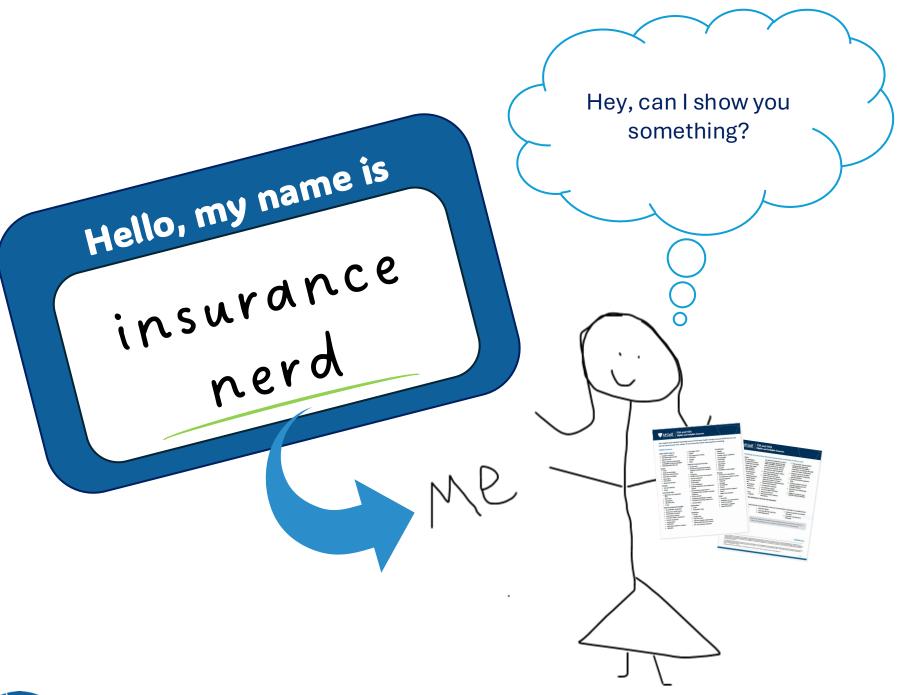
Medical expenses include the premiums you pay for insurance that covers the expenses of medical care, and the amounts you pay for transportation to get medical care. Medical expenses also include amounts paid for qualified long-term care services and limited amounts paid for any qualified long-term care insurance contract. You can include in medical expenses amounts you pay for special equipment installed in a home, or for improvements, if their main purpose is medical care.



## You don't know what you don't know.

- Employees don't enroll in things they don't understand.
- FSAs and HSAs cover far more than most people realize.







#### **Dental**

- X-Rays
- Dentures and bridges
- Exams and teeth cleaning
- Extractions and Fillings
- Oral surgery
- Orthodontia
- Periodontal services

#### **Vision**

- Eye exams
- Eyeglasses and contact lenses
- Laser eye surgeries
- Prescription sunglasses
- Radial keratotomy

#### **Hearing**

- Aids and batteries
- Exams

#### **Medications**

- Insulin
- Prescription drugs

#### **Care from Medical Practitioners**

- Allergist
- Chiropractor
- Christian science practitioner
- Dermatologist
- Homeopath
- Naturopath\*
- Optometrist
- Osteopath
- Physician
- Psychiatrist or psychologist

#### **Therapy**

- Alcohol and drug addiction
- Counseling (not marital or career)
- Exercise programs\*
- Hypnosis\*
- Massage\*
- Occupational
- Physical
- Smoking cessation programs\*
- Speech
- Weight loss programs\*

#### **Obstetrics**

- Doulas\*
- Lamaze class
- OB/GYN exams
- OB/GYN prepaid maternity fees (reimbursable after date of birth)
- Pre- and postnatal treatments

#### **Baby/Child to Age 13**

- Lactation consultant\*
- Lead-based paint removal
- Special formula\*
- Tuition: Special school/teacher for disability or learning disability\*
- Well-baby/Well-child care





#### Lab Exams/Tests

- Blood tests and metabolism tests
- Body scans
- Cardiograms
- Laboratory fees
- X-rays

#### **Medical Procedures/Services**

- Acupuncture
- Alcohol and drug/substance abuse (inpatient treatment and outpatient care)
- Ambulance
- · Fertility enhancement and treatment
- Hair loss treatment\*
- Hospital services
- Immunization
- In vitro fertilization
- Physical examination (not employment- related)
- Reconstructive surgery (due to a congenital defect, accident or medical treatment)
- Service animals\*
- Sterilization/sterilization reversal
- Transplants (including organ donor)
- Transportation\*

#### **Medical Equipment/Supplies**

- Air purification equipment\*
- Arches and orthotic inserts
- Compression stockings\*
- Contraceptive devices
- Crutches, walkers, wheelchairs
- Exercise equipment\*
- Hospital beds\*
- Mattresses\*
- Medic alert bracelet or necklace
- Nebulizers
- Orthopedic shoes\*
- Oxygen\*
- Post-mastectomy clothing
- Prosthetics
- Syringes
- Wigs\*

Page 2 of 3



## Over the counter items (this is not an exhaustive list!)

- Acne Preparations
- Allergy and Sinus Medications
   (Antihistamines, Claritin, Asthma
   Flow Meters and Nebulizers,
   Primatene Mist, Nasal Spray and Strips)
- Specific Baby Care Items
   (Petroleum Jelly, DiaperRash
   Ointment, Thermometers,
   Pediatric Electrolyte Solutions)
- Cough Cold and Flu Medications (Syrups, Capsules, Rubs, Drops)
- Condoms and Contraceptive Devices
- Diabetes Care/Accessories
   (Blood Test Strips, Glucose Tester, Glucose Food, Monitors and Kits)
- Digestive Aids

   (Antacids, Laxatives, Lactose Intolerance Medications)
- Eye Care (Contact Lens Solution, Eye Drops, Reading Glasses)
- Menstrual Products
- Incontinence Supplies

First Aid Products

(Antibiotics, Analgesics and Ointments, Bug Biteand Anti-itch Medications, Sunburn Cream, Bandages, Gauze Pads and Elastic Bandages, Rubbing Alcohol, Wart Removal Products, Supports and Braces, First Aid Kits, Wound Care Products, Tape and Gloves)

- Foot Care
   (Cushions, Pads, Creams,
   Anti-Fungal Medications)
- Heart Monitors

   and Medical Equipment

   (Blood Pressure and Heart

   Rate Monitors, Crutches,
   Medical Bracelets,
   Cholesterol Tests)
- Hemorrhoid Treatments
- Homeopathic Medicines
- Lice and Scabies Treatments

- Nausea and Motion Sickness Medications
- Pain and Fever Reducers

   (Aspirin, Acetaminophen,
   Ibuprofen, Menstrual Cycle and
   Migraine Medications,
   Muscle/Joint Pain Relief Creams and Balms, Heating Pads)
- Pregnancy Products
   (Ovulation Monitor, Pregnancy Testing Kits, Prenatal Vitamins)
- Personal Protective Equipment (PPE)
- Smoking Cessation Products
  (Nicotine Patches, Gum and Lozenges, Inhalers)
- Toothache and Teething Pain Relievers
- Weight Loss Drugs (to treat a specific medical condition)



## Ineligible Expenses

The IRS does not allow the following expenses to be reimbursed, as they are not prescribed by a physician for a specific ailment.

- Cosmetic surgery/procedures
- Electrolysis
- Marriage or career counseling

- Personal trainers
- Sunscreen (SPF less than 30)
- Swimming lessons

The Benefit Access card is controlled by the individual merchants and providers and how quickly their inventory is updated in their register systems. If the card is declined, you can submit a manual claim for reimbursement.

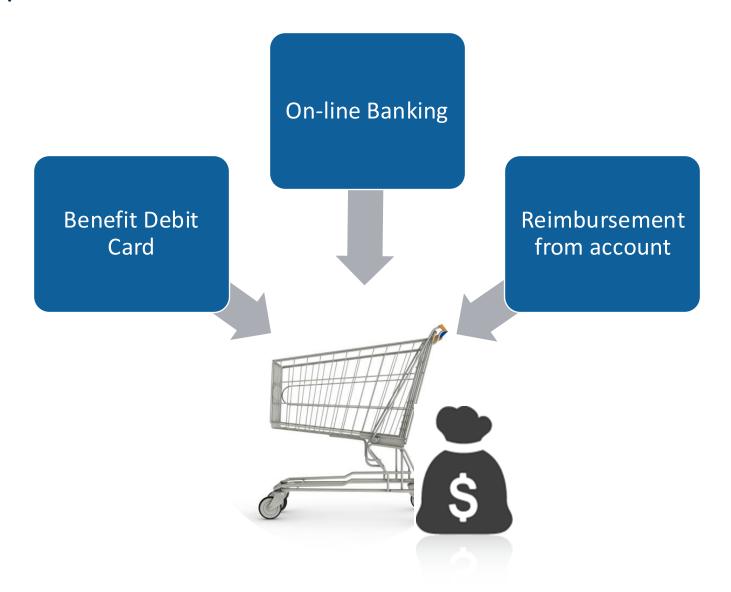
This list is not meant to be all-inclusive, as other expenses not specifically mentioned may also qualify. Also, expenses marked with an asterisk (\*) are "potentially eligible expenses" that require a Note of Medical Necessity from your health care provider to qualify for reimbursement. For additional information, check your Summary Plan Document or contact your plan administrator.

Please note that this listing is subject to change at any time and without notice due to new legislation. The McGriff Benefit Access VISA® Card is issued by Truist Bank, Member FDIC. Your Benefit Access VISA® Debit Card gives you immediate access to funds stored in your health care or dependent day care accounts. Just select "Credit;" no PIN is required.

Insurance products are offered through McGriff, are not a deposit, not FDIC insured, not guaranteed by the bank, not insured by any federal government agency, and may be subject to investment risk. McGriff and its representatives do not offer tax, legal or medical advice. Consult your tax, legal or medical professional regarding your individual circumstances.



How do participants use and access their funds for FSA and HSAs?





# Let's learn about FSAs





# True or Falco? RUE through an employer.





# Health FSA

There are 3 categories of FSAs:



Dependent
Care FSA



Limited Purpose FSA





### Health FSAs – The Basics

An FSA can <u>only</u> be established through an employer.



Allows employees to set aside a pre-tax portion of their salary to pay for eligible medical expenses for themselves, spouse and tax dependents.



Contributions are deducted evenly across all paychecks for the year, but participants will have access to their entire election amount on day one.

\$\ Expenses must be incurred during the period of coverage and all claims must be substantiated.



Plan documents, nondiscrimination testing, and election and substantiation rules are also requirements of FSA plans.



Funds in the employee's account are subject to the use-it-or-lose-it rule after any grace period or carryover allowance.





# When Can Changes to FSA Elections be made?

- 1. During open enrollment
- 2. With a qualifying life event.
  - Change in marital status
  - Change in the number of dependents
  - Increase due to birth, adoption or marriage
  - Decrease due to death, divorce or loss of eligibility
  - Gain or loss of eligibility due to a change in participant, spouse or dependent employment status

## FSA: Employee Eligibility Rules

The employee can not be covered by any other health plan that would disqualify them, such as enrollment in a HSA.



# Dependent Care FSA

"I <u>can't</u> work unless I have care for..."





## Dependent Care FSA – The Basics



Allows employees to set aside a portion of their salary to pay for eligible dependent care expenses *before* taxes are calculated.



Expenses covered include, but are not limited to, qualifying care for children birth through age 12 from eligible childcare centers, a babysitter, or nanny, summer day camps, before or afterschool care, qualifying care for a disabled dependent and/or spouse, and elder care.



The employee must incur the care expenses for a "qualifying individual(s)" to allow them and their spouse to be "gainfully employed, looking for work, or attending school on a full-time basis."

**NOTE:** Funds in the account are only <u>available as an employee contributes from their paycheck</u> and not up front, like with a Health FSA. The use-it-or-lose-it rule applies to remaining funds after any applicable grace period offered by the employer.



# A Qualifying Individual must be a tax dependent of an employee who...



has not attained age 13



• **is physically or mentally incapable of caring for himself or herself**; <u>and</u> has the same principal place of abode as the taxpayer for more than half of the year. (special rule for divorced, separated, living apart where non-custodial parent may treat the child as qualifying individual)



 This includes live-in parents who need care to enable the employee and their spouse to be able to work.



is a spouse who is physically or mentally incapable of caring for himself or herself; and has the same principal place of abode as the taxpayer for more than half of the year.



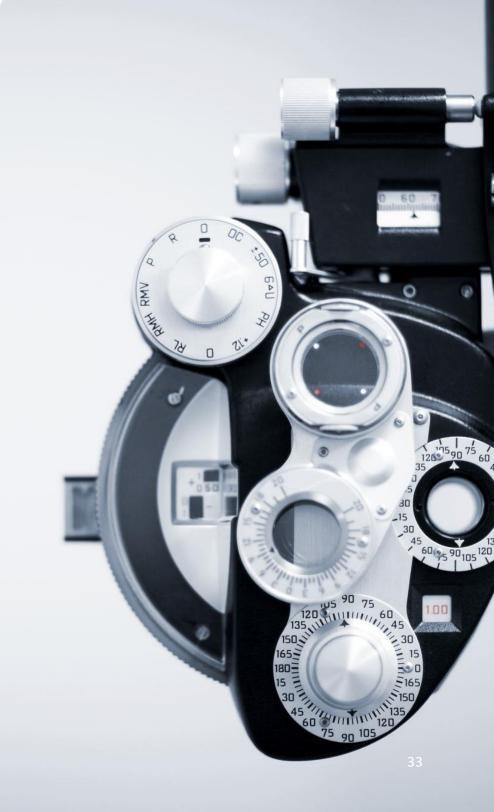


# When Can Changes be Made to a Dependent Care FSA Election?

- 1. During open enrollment
- 2. With a qualifying life event and/or when one of the following occurs:
  - Change in daycare providers
  - Child turns age 13
  - Increase or decrease in the cost of qualifying day care expenses
  - Judgement, decree or order requiring a change in coverage

# Limited Purpose FSA

It's like a 30% savings plan for dental and vision expenses IF you're also enrolled in an HSA.







## Limited Purpose FSAs – The Basics



#### What Does It Cover?

Dental and orthodontia office visits and expenses

Dental implants, veneers, dentures and bridges if medically necessary

Optometrist and ophthalmologist visits and expenses

Eyeglasses, contacts, prescription sunglasses

Contact lens solutions and drops

#### **Funds on Day One**

#### It functions <u>just like</u> the Health FSA.

- The full amount of a participant's Limited Purpose FSA fund is available to spend right away.
- Use-it-or-lose-it rule applies after any applicable provision.

#### Who Can Enroll?

# Anyone enrolled in a Health Savings Account (HSA)!

 It cannot be paired with a Medical Flexible Spending Account (FSA).







HSAs: Triple Tax Advantage



## Health Savings Account: The Basics

- HSAs allow employees to use tax-free money to pay for qualified health care expenses today and in the future, while saving for retirement, and/or investing.
- To participate, individuals must first be enrolled in any qualifying high-deductible health care plan. (Expansions for eligibility expected in 2026.)

## Immediately Reduce Taxable Income

Accrue Savings
Tax-Free

Withdraw Funds Tax-Free

- Known as the VIP of tax savings because HSAs offer triple tax-savings:
- HSA are individually owned, contributions are adjustable mid-plan, they are fully portable, and unused funds carry over year-to-year
- Not all TPAs offer debit cards and investment options vary widely



#### 3 Employee Eligibility Rules:



Must be covered by an HSA-eligible health plan, known as a high-deductible health plan. But starting in 2026, those enrolled in Market Place Bronze plans and direct primary care (DPC) arrangements will also gain eligibility.



Can not be covered by any other health plan that would disqualify them, such as enrollment in Medicare or in a spouse's <u>Health FSA</u>. (They <u>can</u> have dependent care and/or a <u>Limited Purpose FSA</u>.)



Can not be claimed as a dependent on someone else's tax return.

**Note:** During enrollment, eligibility questions should address these exclusions.



#### "If a married couple is enrolled in a family HDHP, can they open a joint HSA Account?"





"Can I change my contribution levels during the year?"





# Section 3 Employee Education

#### Evaluate your approach to employee education.

A few small changes can make underutilized benefits a more effective tool for attracting, retaining, and supporting valuable employees.



# Time Saving Tip

Take advantage of ready-made enrollment content available through your vendor partners.









### Claim Substantiation





## Claim substantiation simply means

## documentation is needed to confirm a purchase is for an eligible expense

- Names (who in family + provider name)
- Date of service
- Description of service
- Amount or Cost of the service received
- The Explanation of Benefit (EOB) from an insurance provider or an itemized receipt from the provider are ideal.



#### Substantiation

To operate in compliance with IRS rules, substantiation is required for <u>all</u> Health Care FSA purchases.



The IRS rules governing the substantiation requirements are detailed in Revenue Ruling 2003-43 and Notice 2006-69.



#### **Auto-Substantiation**

#### **Inventory Information Approval Systems [IIAS]**

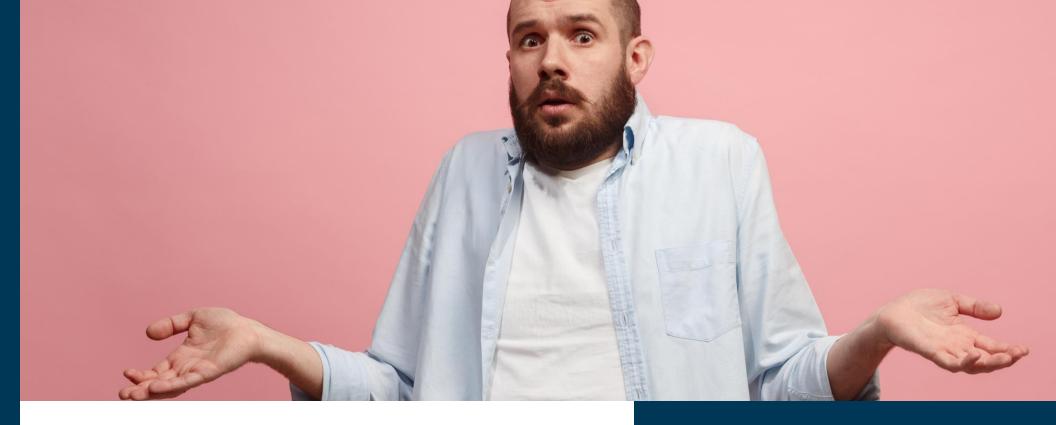
- This FSA/HSA eligibility inventory is an ever-improving system that simplifies FSAs for participants and reduces the need for them to file a claim when they swipe their card.
- Unfortunately, not all card expenses can be auto- substantiated. This is especially true for dental and chiropractic offices.

The IRS allows transactions that can be substantiated electronically... but they still want you to

**KEEP ALL DEBIT CARD RECEIPTS.** 







#### Declined Debit Card Swipes

- Debit cards are controlled by individual merchants and providers. Auto-substantiation is dependent on the vendor or provider being registered with IIAS and or the product being registered. How quickly their inventory is updated in their registered systems can also affect auto-substantiation.
- Participants need clear instruction to submit a manual claim for reimbursement anytime their card declines payment for qualifying expenses.



#### Tip #1: Always Provide Qualifying Expense Lists









Tip #2:
Simplify explanations
about plans,
contributions, and
substantiation.

For example: instead of saying "money is coming out of your paycheck," which implies a loss or a purchase, you could say "pre-tax money is set aside"

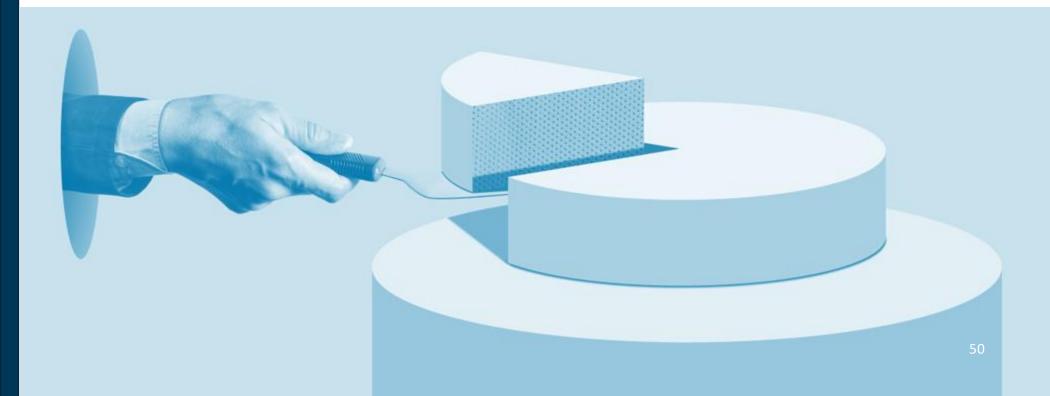
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#### How to explain a pre-tax contribution to employees:

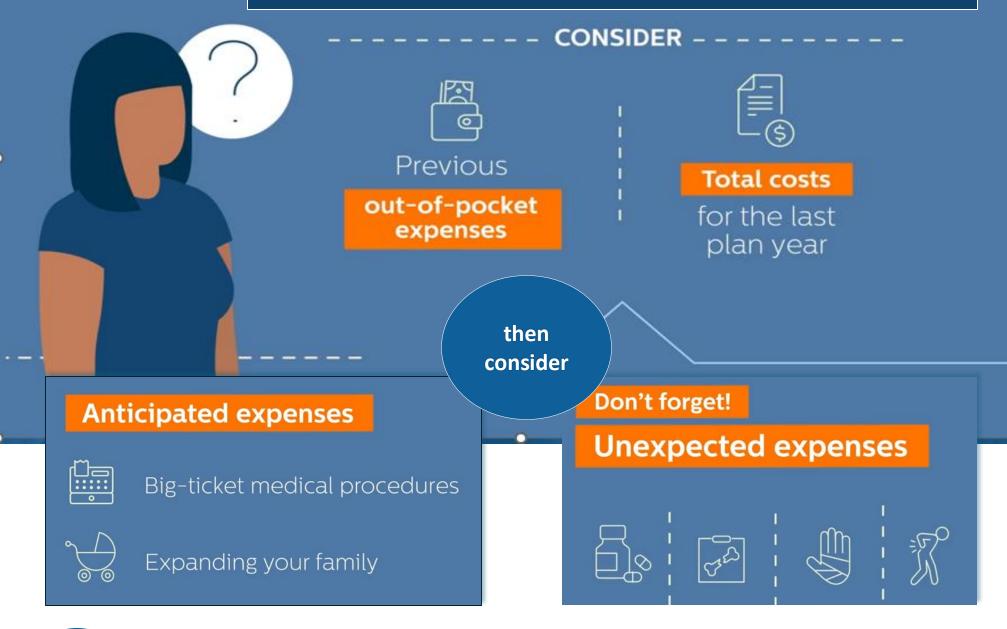
Imagine your paycheck is like a pie.

- A "pre-tax contribution" to an FSA or an HSA means a slice of pie is cut and set-aside before taxes are calculated.
- Instead of paying taxes on the whole pie, you only pay taxes on the part that remains after you've removed the pre-tax slice.



**Tip #3** 

#### Provide guidance and tools for employees to set Smart Contributions







Employees need tools to set SMART contributions that are reasonable and appropriate for their individual needs.

Offer online calculator tools and worksheets.

Expense Category	Employee	For All Tax Dependents	Estimated Annual Out-of-Pocket Expenses
Family Example: employee + spouse + 2 children  Routine Office Visits (Ny health plan has a co-pay of \$10 and 30% co-insurance)	\$40 (complayed corporal to add a dector at least erver, so will act acels one corpey of \$40.	\$200 (Detruces apoure and lists, employee estimates +5 dector visits, with a \$40 co-pay, 5 x \$40 = \$200)	\$240.00 (Employee contexts to spend of least the amount of pediat for expense in this collegery.)
Routine Office Visits (\$40 co-pay x number of anticipated visits)			
Routine Specialist Office Visits (560 co-pay x number of anticipated visits)			
Counseling / Therapy (co-pay x number of anticipated visits) *Excluding worthal and corner counseling			
Maternity / Infertility Treatments			
Chiropractor / Acupuncture (co-pay x number of anticipated visits)			
Dental Expenses (consider dental deductible and co-insurance)			
Orthodontia (monthly payment towards braces)			
Routine Eye Exam (co-pay or exam fee)			
Rx Glasses / Sunglasses (any amount not covered by your plan)			
Contact Lens Supply (any amount not covered by your plan)			
Contact Lens Cleaning Solutions, Supplies & Drops			,
Feminine Hygiene Supplies			
Hearing Aid Batteries			
Prescription Medications			
Over-The-Counter Medications (pain relief, allerge, cold & flu, cough drops)			
Other Misc. or Ongoing Care or Supply Needs			
Does anyone have an upcoming surgery?			
Estimated Totals For The Year	5	5	5

per paychees. This number is should help you make an informed decision about selecting an election amount for your Fan





Clearly communicate:
Contributions are
unique to each person.

"Everyone please know that your contribution amounts should be unique to your individual needs! Please do not copy others as their needs are probably different than yours. We've got some great tools to help you determine a smart contribution amount that's just right for you and your family."







Misunderstanding
Dependent Care is
more common than
you might think.







# Tip #4: Ask better questions to identify need for dependent care.

#### "Do you pay for care, or expect to pay for care this year for any of the following:

- Tax dependents incapable of self-care?
- Service from daycare, preschool, before-school care, or after-school care?
- Summer day camp?
- In-home dependent childcare, or elder care that is not provided by a spouse or other tax dependents?"





#### Tip #5:

Provide a relatable story with an impactful visual to show employees how plans work.

Open enrollment example for DCA: story with visual

See how the Dependent Care plan can help you bring home more of your paycheck!

Ava Marshall has an annual salary of \$50,000. Like many families, Ava's childcare expenses significantly drain the family budget. She currently spends \$1,500 a month on daycare, which feels like even more because it is paid for with money that has already been taxed.



#### Comparison of Ava's take-home pay if she participates in the Dependent Care FSA:

Ava does not have to pay taxes on the money she sets aside from her paycheck to pay for dependent care expenses. This reduces her taxable income and results in her bringing home an additional \$1500 in take-home pay over the course of a year or \$125 a month.

<b>(\$)</b>	Without a Dependent Care FSA	With a Dependent Care FSA
Annual income	\$50,000	\$50,000
Pre-tax contribution to DC FSA account	\$0	\$5,000
Taxable income	\$50,000	\$45,000
Minus Estimated taxes (30%)	\$15,000 (\$50,000 x 0.30 = \$15,000)	\$13,500 (\$45,000 x 0.30 = \$13,500)
Pay for dependent care post-tax, after receiving paycheck	\$5,000	\$0
Take-home income	\$35,000	\$36,500
TAX SAVINGS	0	\$1,500



The difference in Ava's take-home pay is \$125/mo (That's a savings of \$1,500 over the course of the year.)

### See how the Dependent Care FSA helps you bring home more of your paycheck.

Do you pay for care, or expect to pay for care this year for any of the following:

- Tax dependents incapable of self-care?
- Service from daycare, preschool, beforeschool care, or after-school care?
- Summer day camp?
- In-home dependent childcare, or elder care that is not provided by a spouse or other tax dependents?"





**Example**: Ava Marshall has an annual salary of \$50,000. Like many families, Ava's childcare expenses significantly drain the family budget. She currently spends \$1,500 a month on daycare, which feels like even more because it is paid for with money that has already been taxed.

<b>Q\$D</b>	Without a Dependent Care FSA	With a Dependent Care FSA
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Pay for dependent care post-tax, after receiving paycheck	\$5,000	\$0
Take-home income	\$35,000	\$36,500
TAX SAVINGS	0	\$1,500

The difference in Ava's take-home pay is \$1,500!





#### Show employees how much they can save with an HSA

	With HSA	Without HSA
Annual income	\$34,000	\$34,000
Pre-tax contribution to HSA	\$3,000	<b>\$0</b>
Taxable income	\$31,000	\$34,000
Estimated taxes (35%)	\$10,850	\$11,900
After-tax expenses	\$0	\$3,000
Take-home income	\$20,150	\$19,100
TAX SAVINGS	\$1,050	<b>\$0</b>

This example is for illustrative purposes only and is not intended to represent any specific benefits plan or potential plan savings. Hypothetical plan savings are based on the employee's federal, state, local, and FICA taxes, totaling 35% of annual income. A plan participant's tax rates and actual savings are likely to be different.

Full-year statutory contribution limits (\$4,300 for single coverage and \$8,550 for family coverage in 2025





**Tip #6:**Help employees avoid unspent funds.



- Don't bury important rules in blocks of text. Instead, highlight and call <u>special</u> <u>attention</u> to the use-it-orlose-it rule and clearly explain the provision offered (if applicable) in your literature.
- Send additional reminders.



#### Time Saving Tip

Say yes to the demo!

Welcome a vendor-led demo to *show* employees how any technology, such as an app or employee portal works.

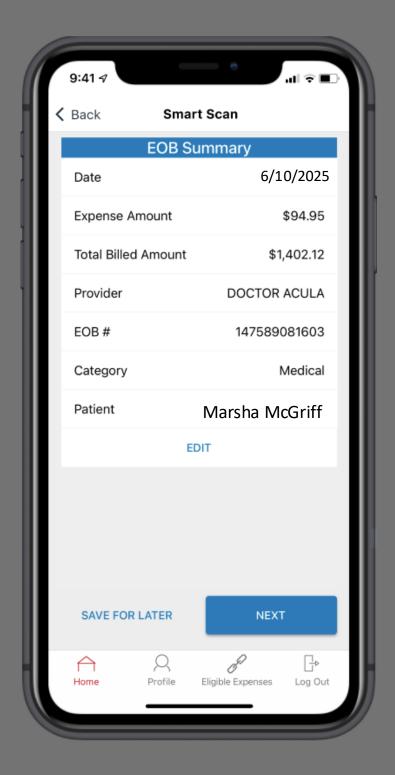
Emphasize convenience!





# Show & Tell EOB Smart Scan!

Show how easy it is to file a claim!





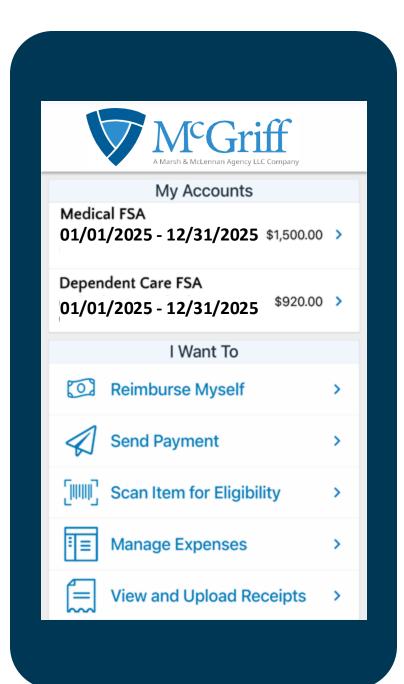
## Don't know what's eligible?



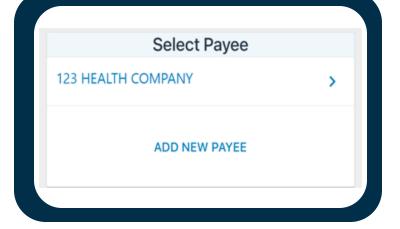


10:17





Get
Reimbursed
Or
Pay a
Provider





Don't forget to view the bonus materials at the end of today's slide deck!







Congrats! You've reached the finish line.

### Thank you so much for your time today!

#### McGriff Flex and COBRA works with ALL brokers!

Since 1986, we've proudly served clients of all sizes in all 50 states. We are separate from McGriff Employee Benefits division and are a free-standing, fully independent TPA service provider. Please let us know how we can be of service!

Reach us at <a href="mailto:flexCOBRAsales@mcgriff.com">flexCOBRAsales@mcgriff.com</a>



## BONUS CONTENT

Start here!





#### Comparison Chart for HSAs, HRAs and FSAs

Reference this guide to help you understand the differences between HSAs, HRAs and FSAs.

**NOTE:** This publication is for informational purposes only. The IRS releases limits and maximums throughout each year. Therefore, be sure to check IRS.gov for updates.

Continued page 2	HEALTH SAVINGS ACCOUNT (HSA)	HEALTH REIMBURSEMENT ARRANGEMENT (HRA)	FLEXIBLE SPENDING ACCOUNT (FSA)
Definition	An HSA is a tax-advantaged savings account that is used in combination with a high- deductible health plan (HDHP). Consumers use the HSA funds to cover qualified medical expenses.	An HRA is an employer-funded plan that may be used to reimburse their employees for qualified medical expenses.	An employer-established, tax-advantaged account funded by the employee and/or the employer to pay for qualified medical expenses with pre-tax dollars.
Who "owns" the account?	Individual/Employee	Employer	Employer
Who can contribute to the account?	Individual/Employee, Employer	Employer only	Employee and Employer
Where are funds held?	In HSA Deposit Account (Qualified financial institution and mutual funds)	By employer	By employer
Pre-tax payroll deductions allowed?	Yes	No	Yes

This Plan Comparison Chart is a summary of differences between plan types, and it does not describe all of the rules and limitations that apply to these arrangements. It is not legal or tax advice. See IRS Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans, for more information on HSAs, HRAs and FSAs.



Continued page 3	HEALTH SAVINGS ACCOUNT (HSA)	HEALTH REIMBURSEMENT ARRANGEMENT (HRA)	FLEXIBLE SPENDING ACCOUNT (FSA)
Annual limit on contributions (irs.gov)	Eligible individuals with self-only HDHP coverage will be able to contribute up to\$4,300 to their HSAs for 2025. Individuals with family HDHP coverage will be able to contribute up to \$8,550 to their HSAs for 2025	No (set by employer)	\$3,300
Entire election available at start of plan year	No	Depends on plan design	Yes
What distributions are allowed?	Debit Card (Request for distribution or bill pay online/paper)	Debit Card ("Claim" - Request for reimbursement or bill pay online/mobile/paper)	Debit Card ("Claim" - Request for reimbursement or bill pay online/mobile/paper)
Substantiation	Not required for payment	Required	Required
Must have health plan?	Yes (Qualified HDHP whether through employer or not)	Have to be enrolled in employ- er-sponsored group coverage unless the HRA is limited to vision or dental expenses	Employer
Can have other (non-HDHP) health plan?	No, except for certain permissible coverage such as dental or other limited purpose plan(s)	Yes	Yes
Tax benefit	Contributions are tax-free, interest and investment gains are tax-free and withdrawals are tax-free when used for qualified medical expenses	Employer deposits and claim pay- ments are tax-free	Employer/payroll deposits and claim payments are tax-free

Your Health Savings Account (HSA) funds may be held by Marsh & McLeman Agency LLC in a custodial deposit account at Truist Bank. While so deposited, the funds are FDIC-insured to the extent provided by law. Investment solutions are provided by Marsh & McLeman Agency LLC. Advisory services are provided by Precept Advisory Group, LLC a subsidiary of Marsh & McLeman Agency LLC.

the armual contribution limits of your HSA. Marsh & McLennan Agency LLC does not offer investment advice. Performance data and ratings represent past performance and are root a guarantee of future results. Investment returns and principal value will fluctuate and investors' shares, when side, may be worth more or less than their original cost. Copyright © 2025 Marsh & McLennan Agency LLC. All rights reserved. CA license #UH18131. McGriff is a business of Marsh & McLennan Agency LLC.



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Continued	HEALTH SAVINGS ACCOUNT (HSA)	HEALTH REIMBURSEMENT ARRANGEMENT (HRA)	FLEXIBLE SPENDING ACCOUNT (FSA)
Interest earning?	Yes	No	No
Access to funds after termination	Individual account not tied to employment status	Employee must be offered COBRA	Employees must be offered COBRA (usually until the end of plan year)
Employees carry over unused amounts	Yes	Depends on plan design	Yes (up to \$500 if employer offers the rollover option)
What is the tax treatment for employer contributions?	Employer contributions may qualify as a deductible business expense and are exempt from FICA and other employment taxes.	Employer contributions may qualify as a deductible business expense and are exempt from FICA and other employment taxes.	Employer contributions may qualify as a deductible business expense and are exempt from FICA and other employment taxes.
What is the tax treatment for employee contributions?	Employee contributions may be made through a cafeteria plan and are tax free. If made outside of a cafeteria plan, they are treated as an "above the line" deduction.	Employees are not permitted to contribute to an HRA.	Employee contributions to an FSA are made on a pre-tax basis and therefore reduce annual taxable income.
What expenses qualify for distribution?	Medical expenses under § 213 (d) of the Internal Revenue Code (over the counter drugs are not an eligible medical expense unless prescribed by a health care provid- er). HSAs may not be used to pay insurance premiums except for (1) COBRA, (2) qualified long-term care insurance (3) health care coverage while the individual is receiving unemployment compen- sation; and (4) premiums for Medi- care Part A or B, Medicare HMO, and (5) after age 65, the employ- ee's share of employer-sponsored retiree health care.	Employers configure the account to reimburse all or a subset of any otherwise unreimbursed expenses that are qualified under §213(d) of IRC (over the counter drugs are not an eligible medical expense unless prescribed by a health care provider). This can include health insurance premiums (other than premiums that are paid through an employer's cafeteria plan) and long-term care insurance premi- ums. However, long-term care services are not reimbursable.	Any otherwise unreimbursed medical expenses that are defined under §213(d) of IRC (over the counter drugs are not an eligible medical expense unless prescribed by a health care provider). Health insurance premiums and long-term care services are not reimbursable.



#### Section 125 Plan Testing Basics



- Proposed regulations provide that testing should be done as of the <u>end of</u> the <u>plan year</u>
  - Testing often done mid-year so that corrections can be made
  - Does not replace end of the year testing
  - No corrections allowed after the end of the plan year if plan fails testing

**Note:** Section 125 NDT testing is handled by McGriff's Compliance Department, not the TPA.





#### Important Definitions

Runout period = additional time given after a plan year ends to submit claims incurred during the plan year

- Usually this is 60 or 90 days and is based on client preference
- This does not extend time for incurring claims, only submission

**2 FSA Provisions:** Employers can choose 1 option below

**Grace period** = This IRS provisions allows participants a little extra time to spend up to the total amount of all remaining FSA funds following the end of a plan year. Claims can be incurred and paid during this time.

Maximum grace period is 2 ½ months following end of plan year



Carryover/Rollover – These terms are often used interchangeably

This IRS provision allows a specified, <u>limited amount of unused funds</u> from one plan year to be carried into the next.

 Rollover funds can pay for claims incurred during the previous and current plan year.

#### continued...

- FSA provisions allowed by the IRS provide solutions to prevent the loss of unspent funds due to the use-it-or-lose-it rule.
- Employers are allowed to decline offering the provisions.
- It boils down to a choice of extra time for all remaining unspent funds to be used OR having a limited amount of unused funds carried over into the following plan year.
- Note that the carryover/rollover allowance varies year to year, but in 2025, the max amount is \$660, regardless of the participant's remaining account balance.
- If you have an employee with a high balance remaining, provide them with the eligible expense lists and encourage them to stock up on supplies that can be used over time or even items that can be purchased as gifts for others!



#### Employer Options For Forfeited FSA Balances

The IRS gives employers the following options for unused employee FSA balances that are forfeited under the use-it-or-lose-it rule.



- 1. The employer can simply keep the money.
- 2. Employers can apply forfeited amounts to the following purposes:
- a. To defray expenses of administering the cafeteria benefit plan under which the FSA program or programs are offered
- b. To reduce employee FSA salary reduction amounts (or employee contributions) for the immediately following FSA plan year on a reasonable and uniform basis
- c. Return them to employees on a reasonable and uniform basis.

For additional information see Treasury Proposed Regulation 1.125-5(o).



# Considerations For An FSA Mid-Year Takeover

#### **Pros:**

- Moving to new TPA
- Opportunity for Improved Customer Service
- Mid-year Plan Audit

#### Cons:

- Disruption of Service mid-year
- Blackout Period
- Claim details not transferred to new TPA







### Section 125 Plans: Employer Contribution Types

Nonelective – "seed" contributions

Not contingent upon contributions by employees

Matching contributions

Contingent upon contributions by employees

Contingent contributions

Contingent upon employee paying a certain portion of the cost of the benefit



### Important note about withdrawals from an HSA



### Withdraw Funds Tax-Free

<u>Until</u> an employee turns 65, any withdrawals <u>used for non-eligible</u> <u>expenses</u> will be taxed at their regular income tax rate, <u>plus</u> an additional 20% penalty will apply.

Starting at 65, withdrawals for noneligible expenses are taxed at their regular income tax rate, but no additional penalty will apply.



Can my big sister get paid to watch me after school and during the summer?

I took a Red Cross Babysitting Course!



The IRS says funds cannot pay for care provided by another parent, another tax dependent, or another child under the age of 19.



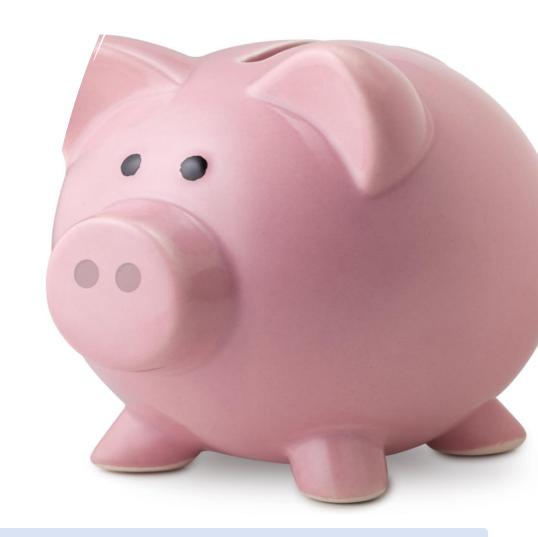
## Health FSA Maximum Contribution Limit

\$3,300

2025 Individual Max

\$6,600

2025 Household Max





\*The entire annual contribution is available at the beginning of the plan year.



\* When non-calendar year plans are established, contributions limits are pro-rated.



\* After any grace period or carryover, unspent funds in the account are subject to the use-it-or-lose-it rule.



# Dependent Care FSA Maximum Contribution Limit

\$5,000

2025 Household max for married, filing jointly

\$2,500

2025 Single or married filing separately max





\* When non-calendar year plans are established, contributions limits are pro-rated.



\* Outside of any offered grace period, unspent funds in the account are subject to the use-it-or-lose-it rule.



# Limited Purpose FSA Maximum Contribution Limit

\$3,300

2025 Individual Max

\$6,600

2025 Household Max





\* When non-calendar year plans are established, contributions limits are pro-rated.



\* After any grace period or carryover, unspent funds in the account are subject to the use-it-or-lose-it rule.



# Health Savings Account Maximum Contribution Limit

\$4,300

2025 Individual Coverage Max

\$8,550

2025 Family Coverage Max



#### includes contributions from any source



\* Persons age 55 and above may contribute an additional \$1000 in "catch-up contributions" each year.



### Some vendors offer HSAs with investment opportunities!

## For example, a McGriff HSA includes investment options automatically. Our one-stop investment portal provides:

- Anytime, anyplace access to HSA and Health Savings Brokerage Account (HSBA) investments, including online portfolio changes and 24/7/365 availability
- Integrated access to investments, one username and password
- Fund performance and prospectus information for available mutual funds
- View investment account activity details
- Manage one-time investment transfers
- Manage transfers to and from Brokerage account with your HSA

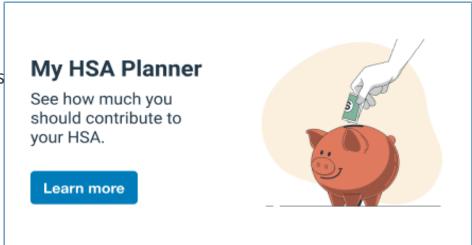
## McGriff's Standard Minimum Cash Balance Threshold: \$2,000, invest in \$100 increments – These can be customized by client.

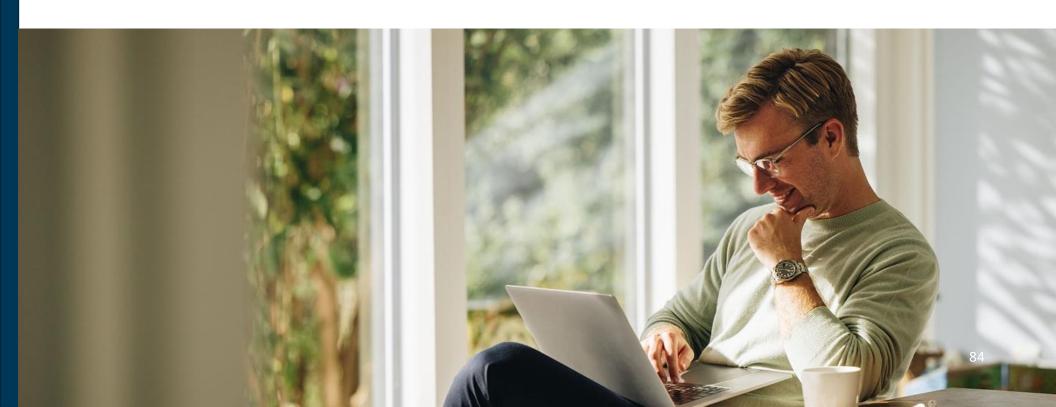


#### Most vendors offer some form of HSA Planner Tool.

For example, McGriff offers: My HSA Planner -an easy-to-use decision tool that helps HSA participants learn:

- The benefits of a Health Savings Account
- How much the participant should contribute each year to optimize the benefit
- And their potential savings over time

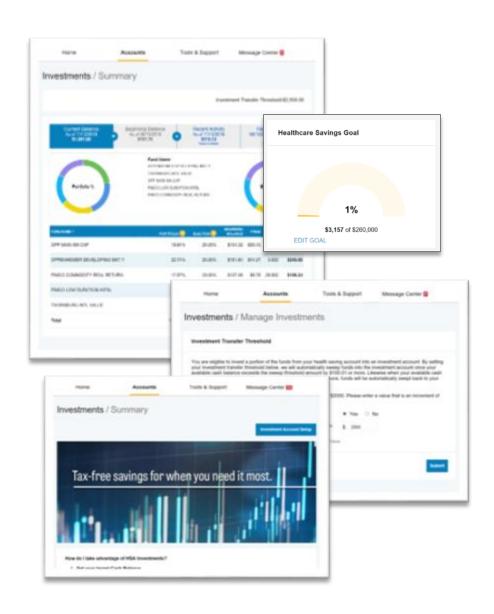




#### Vendors Should Provide HSA Investing Tools & Resources

#### For example, McGriff offers:

- Step-by-step investment enrollment process with access to the Guidance Tool
- Educational resources
- Expense analysis dashboard plan, budget, manage
- Integrated HSA investment goals & analysis
- Account activity & plan details
- Notifications/text alerts







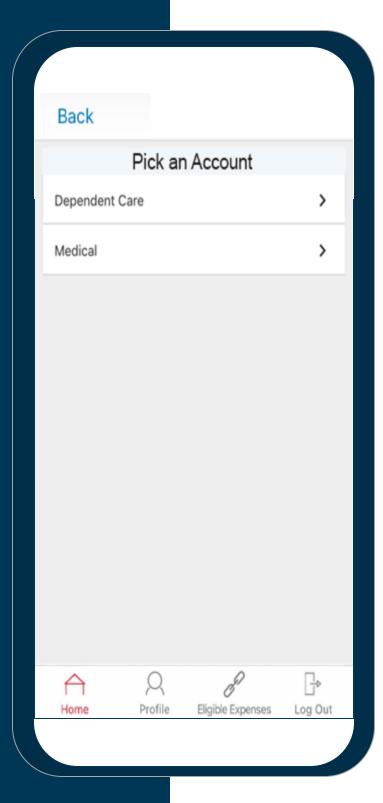
### Out-of-Pocket Expense Reimbursement: Using a Mobile App

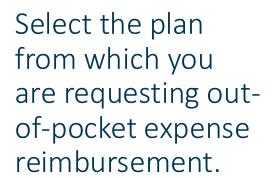
The following slides include screenshots of the process for out-of-pocket expense reimbursement.



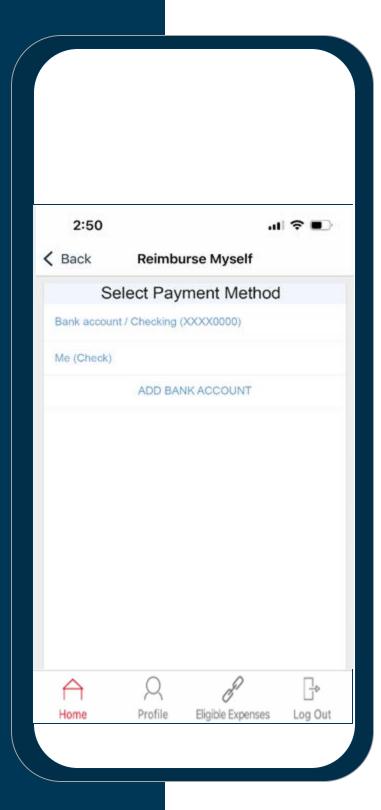
As a reminder, while individual vendor apps may vary in appearance and functionality, the same IRS rules apply for claim substantiation and processing.

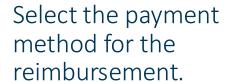






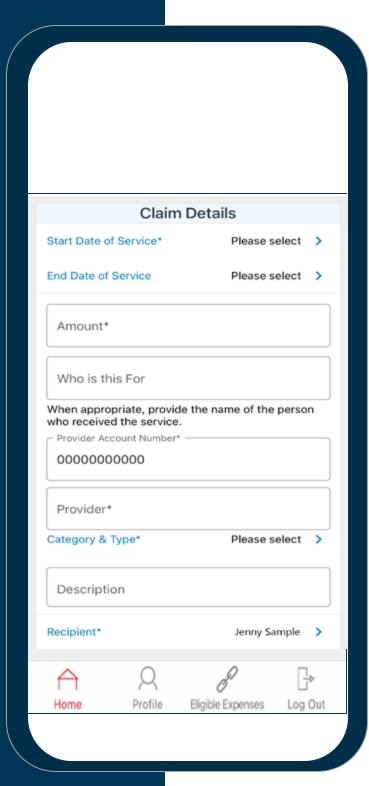






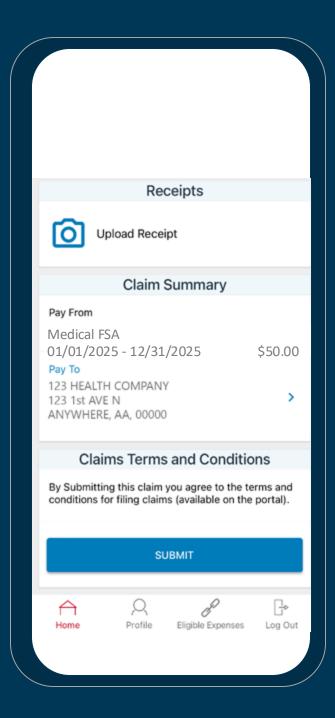
Typically, participants can be reimbursed directly to their bank account or have a check mailed.





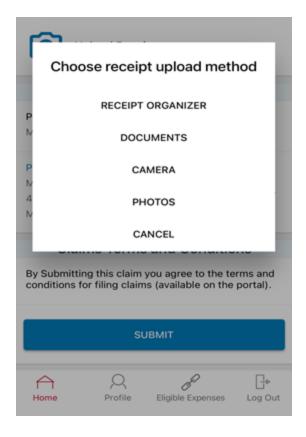
General claim questions are typically asked when requesting expense reimbursement.







Documentation will be required. Vendor apps vary, but many allow you to upload files or even take a photo for instant submission.





#### CANCEL

#### SIGIS End User License Agreement

ELIGIBLE PRODUCT LIST APPLICATION END USER AGREEMENT AND TERMS

The health benefits mobile application (the "Mobile App") includes a feature (the "Scan Feature") allowing you to scan using your smartphone device (the "Device") a product UPC code and receive information about whether the product is a 213(d)-eligible expense under the Internal Revenue Code (the "IRC"). This information comes from an Eligible Product List or "EPL" that is proprietary to SIGIS: Special Interest Group for IIAS Standards, Inc. ("SIGIS"). In order to use this feature, you must agree to the following terms and conditions:

The Scan Feature provides you with information only, Information from the Scan Feature is not a guarantee that a product is a 213(d)-eligible expense under the IRC or that your healthcare account administrator will agree that any particular product is eligible for reimbursement from your healthcare account. Information from the Scan Feature will have no bearing on the determination of whether any particular expense is eligible for reimbursement from your healthcare account.

I have read, understand, and agree to the information and terms above.

Save this agreement as an image.

AGREE

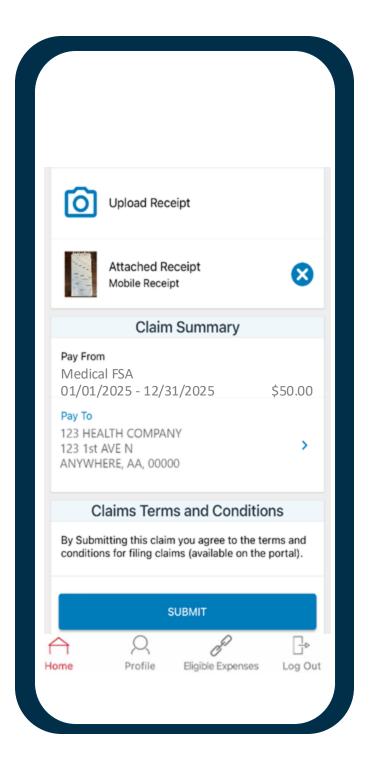
Vendors must provide Claim Terms and Conditions to participants.

Ours display as the final step requiring acknowledgement prior to submission.

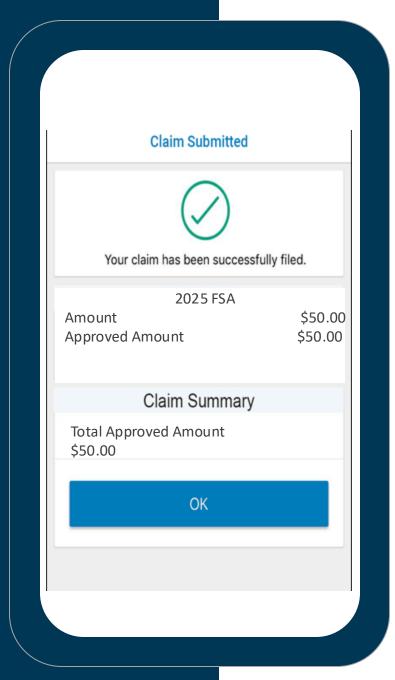


Some form of claim summary will generally be provided prior to submission.

Ours looks like this.











#### Disclaimer

Information presented here is relevant with respect to current rules or regulations as of the date of this presentation. Future rules may include clarifications, technical corrections or guidance on complex issues. Moreover, these may change the content of the information presented or alter the answers to questions posed.

New guidance may have an impact as well on governing benefits legislation such as ERISA.

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Compliance decisions are the sole responsibility and obligation of the client.

