



CITY PAYMENT OF FUNDS INTO EMPLOYEE HEALTH SAVINGS ACCOUNT (HSA) POLICY NO: 214-P

- Effective Date: 04/01/2025
- Associated References: None

Purpose:

The purpose of this policy is to establish guidelines for the City of Traverse City regarding contributions to employees' Health Savings Accounts (HSAs) as part of the City's benefits program. This policy ensures compliance with applicable federal regulations and promotes financial support for employees enrolled in a High Deductible Health Plan (HDHP).

Additional Authority:

IRS Publication 969, Health Savings Accounts and Other Tax-Favored Health Plans

Eligibility:

Employees must meet the following criteria to be eligible for City contributions to their HSA:

- Be an active, full-time employee enrolled in the City's High Deductible Health Plan (HDHP).
- Not be enrolled in any other non-HDHP health coverage that disqualifies them from contributing to an HSA.
- Not be enrolled in Medicare or claimed as a dependent on another individual's tax return.
- The City's contributions to an HSA are subject to IRS rules and may change based on updates to federal regulations.

Contribution Amount:

- Eligible employees enrolled in the High Deductible Health Plan shall receive the full cost of the plan's deductible amount paid into the individual employee's health savings accounts by the Employer.
- Employees shall reimburse the employer their cost share through payroll deduction 20% of the deposited amount.
- The Employer will deposit on a pro-rated quarterly basis the cost of the plan's deductible amount paid into the individual employee's health savings accounts. Contributions may vary depending on the terms outlined in applicable collective bargaining agreements.
- Contributions are subject to IRS annual contribution limits and may be adjusted accordingly.

Payment Schedule:

- Contributions will be deposited on the first payroll of each quarter, unless the collective bargaining unit states otherwise.
- Employees must maintain active employment status and continued enrollment in the HDHP to receive contributions.
- New hires and/or employees who increase coverage level from single to double/family after July 1 shall receive a pro-rata payment into their health savings account beginning with the first full month of insurance eligibility or coverage change through the end of the plan year. Employees shall be responsible for the remainder of the deductible.

Employee Responsibilities:

- Employees are required to set up an HSA Account with the approved vendor as designated by the City.
- Employees are responsible for ensuring their eligibility for an HSA under IRS regulations.
- Employees must notify HR immediately if they become ineligible for an HSA.
- Employees are responsible for managing their HSA, including tracking contributions to avoid exceeding IRS limits.
- Employees should consult a tax advisor for guidance on personal tax implications of HSA contributions.

Termination of Employment:

- Upon termination of employment, the City will cease making contributions to the employee's HSA effective on the last date of employment.
- Employees separating from employment within the plan year shall receive a pro-rated payment into their health savings account for those months enrolled in the plan as an active employee.
- Employees retain ownership of their HSA funds and may continue using them for qualified medical expenses.

Policy Review and Amendments:

This policy will be reviewed periodically and may be amended as necessary to comply with applicable laws and benefit program adjustments.

<p>Approved By: Elizabeth Vogel on 04/01/2025</p> <p>Signature: <u> <i>E. Vogel</i> </u></p>	<p>HISTORY: Initial Adoption Date: 07/07/2009 Amended Date: 07/2011 Amended Date: 04/01/2025</p>
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