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2023 HSA and HDHP Limits

• *May 2022* •

The IRS recently released **Revenue Procedure 2022-24**, announcing the new inflation-adjusted limits for health savings accounts (HSAs) and qualified high deductible health plans (HDHPs) for 2023. The limits are as follows:

	2023	2022	2021
Calendar Year Contribution Limit (Employer and employee contributions combined)			
Single Coverage	$3,850	$3,650	$3,600
Family Coverage	$7,750	$7,300	$7,200
Additional Calendar Year Catch-Up Contribution Limit (For account holders age 55 and older)			
Additional Amount	$1,000	$1,000	$1,000
High Deductible Health Plan (*Minimum deductible* per plan year)			
Single Coverage	$1,500	$1,400	$1,400
Family Coverage	$3,000	$2,800	$2,800
High Deductible Health Plan (*Maximum out-of-pocket limit* per plan year)			
Single Coverage	$7,500	$7,050	$7,000
Family Coverage	$15,000	$14,100	$14,000

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Key HSA Issues

There are several issues to consider in offering a qualified high deductible health plan with an HSA.

Will you arrange for an HSA trustee/custodian for your employees or require employees to locate an HSA trustee/custodian independently?

While you can select an HSA trustee/custodian (commonly a bank) for your employees as a service, you cannot prohibit employees from moving their existing HSA balances to a different HSA trustee/custodian in the future. If the employer limits the employee's ability to move HSA funds, the HSA could become subject to ERISA.

Have you amended your Section 125 cafeteria plan to permit employees to make pre-tax HSA contributions?

The exclusive way for employees to make HSA contributions on a pre-tax basis is through a Section 125 cafeteria plan. Therefore, your plan must be amended to provide for this feature.

Will there be employer HSA contributions? If so, what will be the contribution formula?

Any employer HSA contribution should also be addressed in your Section 125 cafeteria plan. There are several different types of formulas. A flat dollar amount for all participants or a flat dollar amount based on coverage tier (*e.g.,* single v. two-person/family) is the two most common methods. It is also permissible to make the employer contribution in the form of a match or based on participation in a wellness program.

Another employer contribution issue is deciding whether to make the contribution in a lump sum at the beginning of the year, prorated over the plan year or a combination of the two methods. An upfront amount can help the employees with seed money to cover uninsured health expenses incurred at the beginning of the year. Still, it cannot be returned to the employer if the employee terminates employment during the year. These are considerations employers may have when deciding the timing of any employer HSA contribution.

How will you coordinate the HSA with any medical FSA you offer?

A medical FSA is disqualifying coverage for purposes of HSA eligibility. To address this, some employers discontinue offering a medical FSA to employees enrolling in the HDHP based upon the rationale that the HSA should provide them with a sufficient source of reimbursement for uninsured expenses. Other employers establish what is known as a “limited purpose” medical FSA, which only reimburses employees for certain limited purpose expenses such as uninsured dental and vision care. If an employee elects a limited-purpose medical FSA, it will not cause the individual to become ineligible for an HSA. Also, note that if your medical FSA has a grace period or a carryover, employees in the medical FSA may also be HSA ineligible in the following plan year. There are strategies to address grace period/carryover issues that you should explore if this applies to your plan.

Are there any special issues to consider if the plan has a telemedicine benefit?

Many employers are offering a telemedicine benefit along with their group health plan, including an HDHP. Employers often provide these services at low to no cost to participants to incentivize employee utilization. For HSA plans, this is problematic since participants of an HDHP must pay the full cost of each telemedicine visit until they satisfy the medical deductible. Otherwise, employees may jeopardize their HSA eligibility if they have a free telemedicine visit before their deductible is satisfied.

*Note: In response to COVID-19, HDHPs could temporarily provide pre-deductible coverage for telemedicine services without impacting HSA eligibility. This relief expired for plan years beginning in 2022. However, under the 2022 spending bill, this provision was reinstated only for telehealth services **incurred from April 1, 2022, through December 31, 2022**. This provision is not required; as such, employers can choose to adopt this option or continue to apply the HDHP deductible to these services.*

What if the employer makes a mistake with the contributions for an employee's HSA?

Contributions made to an HSA are non-forfeitable, and once a contribution is made, it generally cannot be taken back. However, some exceptions to this rule apply to excess or mistaken contributions.

- If the employer mistakenly believes the individual to be HSA-eligible where they were never eligible.
- If the employer mistakenly contributes more than the annual maximum contribution limit.
- If the employer contributes the wrong amount or contributes to the wrong account due to a clerical or administrative error.

It is important to note that continued mistaken contributions to an employee who ceases to be HSA-eligible are not recoverable by the employer.

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ADDITIONAL RESOURCES

Revenue Procedure Provides 2022 Adjusted Amounts for HSAs:

Revenue Procedure 2022-24

Health Saving Accounts and Other Tax-Favored Health Plans:

IRS Publication 969

Federal Tax Law for HSAs:

Internal Revenue Code Section 223

Federal Notice Including Q&As on a Variety of HSA Topics:

IRS Notice 2004-50

Spending Bill (2022):

H.R.2471 - Consolidated Appropriations Act, 2022