



## **Unicorn HRO**

# **Health Savings Accounts**

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 created Health Savings Accounts (HSAs). Individuals participating in high deductible health plans are allowed to make tax deductible contributions to an HSA to fund lifetime medical needs. Health savings accounts (HSAs) allow employees to fund medical costs on a pre-tax basis. Some rules established by the IRS include:

- HSA contributions on behalf of an eligible individual may be made by any person, not just the employer or family members.
- An employee who elects to make HSA contributions under a cafeteria plan may start or stop the election or increase or decrease the election at any time as long as the change is effective prospectively.
- HSA balances are carried forward from year to year, and are not subject to the “use it or lose it” rule that applies to FSAs.
- Health Savings Account contributions must be reported on W-2s, both the employee and employer contributions (as of this writing)

State rules as of this writing include:

- Employer deductions must be added to taxable wages for California and New Jersey. By setting the W-2 Box 12: Employer field to “W” in the Payroll Deductions common object, this will happen automatically when a payment is created.
- Employer deductions must be added to taxable wages for Alabama if your HSA plan meets certain criteria. To add employer deductions to taxable wages, select the HSA Employer Contribution AL SIT/SUI Taxable checkbox in Payroll Deductions.

HSA Set-up:

Tables:

- HSA Group common object
- Health Savings Accounts common object:
  - Set employee-only HSAs to Self-Only.
  - Set family HSAs to Family.
- Benefit Deduction Defaults: enter the current Tax Year
- Payroll Deductions common object: set up the employer amounts to print in Box 12 with Code “W”. If the employee contributions were made through a Section 125 plan, set them up to also be printed on Box 12 with Code “W”, as shown in the following example:

Update Common Object Dictionary for Payroll Deductions	
* Payroll Deduction Codes:	hsa
* Short Description:	HSA Employee
Long Description:	HSA Employee
Garnishment?:	<input type="radio"/> Yes <input checked="" type="radio"/> No
Reduces Disposable:	<input type="radio"/> Yes <input checked="" type="radio"/> No
W-2 Box 10: Dependent Care:	<input type="radio"/> Yes <input checked="" type="radio"/> No
W-2 Box 11: Nonqualified Plans:	<input type="text" value=""/>
(up to 2000: W-2 Box 12 Fringe Benefits):	<input type="radio"/> Yes <input checked="" type="radio"/> No
W-2 Box 12: Employee:	W ←
W-2 Box 14: Other:	<input checked="" type="radio"/> Yes <input type="radio"/> No
W-2 Def Comp (use Annual Comp Limit or PR CODA):	<input type="radio"/> Yes <input checked="" type="radio"/> No
W-2 Retirement Plan:	<input type="radio"/> Yes <input checked="" type="radio"/> No
Puerto Rico W-2 Code:	<input type="text" value=""/>
Savings Bond:	<input type="radio"/> Yes <input checked="" type="radio"/> No
Benefit?:	<input type="radio"/> Yes <input checked="" type="radio"/> No
Kansas Retirement System:	<input type="radio"/> Yes <input checked="" type="radio"/> No
Display in Paycheck Calculator:	<input checked="" type="radio"/> Yes <input type="radio"/> No
W-2 Box 12: Employer:	W ←
W-2 Box 12: Prior Year:	<input type="text" value=""/>
Deduction Type:	*no value

Set up the deduction for each applicable legal entity in **Employer Deduction Contributions** for the current tax year. If your company matches any portion of the employee deduction, or if the company contributes according to some other formula, enter it in this record. The example below shows an employer who matches 10% of the employee's contribution. Assign G/L Account Numbers if required.

Update Employer Deduction Contributions			
Legal Entity:	Value Solutions	Tax Year:	2010
* = Required			
Payroll Deduction:	HSA Employee		
Fixed Deduction Amount:	<input type="text" value="0.00"/>	Minimum Per Pay Period:	<input type="text" value="0.00"/>
Fixed Amount - Supplemental:	<input type="text" value="0.00"/>	Maximum Per Pay Period:	<input type="text" value="99999999.99"/>
Percent of Regular Wages:	<input type="text" value="0.0000"/>	Maximum Per Month:	<input type="text" value="99999999.99"/>
Percent of Supplemental Wages:	<input type="text" value="0.0000"/>	Maximum Per Quarter:	<input type="text" value="99999999.99"/>
Percent of Employee Contribution:	<input type="text" value="10.0000"/>	Maximum Per Year:	<input type="text" value="99999999.99"/>
Maximum Employee Percent:	<input type="text" value="100.0000"/>	Maximum Per Fiscal Year:	<input type="text" value="99999999.99"/>
*Frequency:	<input type="text" value="Each Pay Period"/>	Maximum Total:	<input type="text" value="99999999.99"/>
Start Number of Days After Hire:	<input type="text" value="0"/>		
Date Option:	<input type="text" value="*no value"/>	<input type="checkbox"/>	Tier Formula
Account Numbers:			
	Comp. Div. Loc.		
Employer Credit Account:	<input type="text"/>	<input type="text"/>	<input type="text"/>
Employer Dedit Account:	<input type="text"/>	<input type="text"/>	<input type="text"/>
Employee Credit Account:	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="button" value="→ submit"/> <input type="button" value="cancel ←"/>			

Add each HSA deduction in **Deduction Definition**. Do this for each applicable Deduction Group. In the Max EE/ER Combined field, enter the maximum total that can be contributed by both the employee and employer. The amount must be entered in this function so that it will be automatically populated to **Deductions** when employees are enrolled in HSAs.

Since an employee can only select a Health Savings Account if he or she is enrolled in a high deductible health plan (HDHP), they must be defined in **Benefit Plans**. For each HDHP, enter the Maximum HSA Contribution Allowed, as shown in the following example. This amount may be changed annually by the IRS.

**Update Benefit Plans**

\* = Required

<b>* Group:</b> F/T Employees	<b>* Category:</b> Medical
<b>* Plan:</b> High Ded. Med.	<b>* Option:</b> Single Plan

Click on each tab to enter information about the benefit plan. When you have entered all information, click on the Submit button to save the data. The system will also save the benefit plan when you click on either the Zip Code Availability or Benefit Costs tabs.

Plan Definition
Coverage Calc.
Eligibility
G/L & Admin. Costs
On-Line Enroll. Options
Zip Code Avail.
Benefit Costs

**Plan Definition:**

<b>* Carrier:</b> Aetna	Policy ID: <input style="width: 100%;" type="text"/>
<input checked="" type="checkbox"/> Active	<input type="checkbox"/> Defined Contribution
<input type="checkbox"/> Taxable Group Term Life Insurance	<input type="checkbox"/> Medical Coverage for State New Hire Reporting Purposes
<input type="checkbox"/> Allow beneficiaries to be specified	<input checked="" type="checkbox"/> Display plan on Benefit Statement
Maximum HSA Contribution Allowed: <input style="width: 100%;" type="text" value="3050.00"/>	

**Costing:**

<input type="checkbox"/> Use pay frequency to calculate deduction	Cost Method: Amount
<input type="checkbox"/> Cost by age	Employee Deduction: HD Health Plan
<input type="checkbox"/> Cost by smoker status	Employer Deduction: HD Health Plan

→ submit
cancel ←

Access the **Health Savings Account Plans** function. Select the HSA Group and year that you will be working with. Health savings accounts are put into HSA groups, so that employees in a certain division or department of the company may only select from the HSAs that are available to them, through the use of groups. Then add individual health savings accounts to each group you have set up. For each HSA, enter:

- **Health Savings Account:** the type of account being offered, for example, Medical Family or Medical Self HSA.
- **Payroll Deduction:** the deduction that will be taken from the employee's pay when contributing to the HSA.
- **Maximum Contribution:** the maximum that the employee may have deducted from his or her pay, which may or may not be the same as the IRS maximum if your company also contributes to the plan.
- **Effective Date:** this field is optional, but it is recommended that you enter it. HSAs are usually driven by calendar year, so you would usually enter the first day of the plan year in this field.

**Add Health Savings Account Plans**

\* = Required

Enrollment Year:	2010
HSA Group:	Full Time Group
*Health Savings Account:	<input type="text" value="*No Value"/>
*Payroll Deduction:	<input type="text" value="*no value"/>
*Maximum Contribution:	<input type="text" value="0.00"/>
Effective Date:	<input type="text"/>
*Termination Date:	<input type="text"/>

HSA Catch-up Plan

**Text To Be Displayed in On-Line Enrollment:**

	Display HSA	Allow Selection
First Time Enrollment:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Life Event Enrollment:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
Open Enrollment:	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

- Termination Date. Since HSAs usually go by calendar year, enter the last day of the year.
- Click on the HSA Catch-Up Plan if this plan represents a plan for employees who will reach age 55 or over by the end of the plan year. Catch-up plans must be set up separately because they have a different maximum contribution than standard HSAs. During on-line enrollment, only employees who will be at least 55 by the end of the year will be allowed to select the catch-up plan.
- Text to Be Displayed in On-Line Enrollment: To display instructions to employees as they go through the on-line enrollment functions, enter it here.
- Display HSA: Click on the checkbox next to First Time Enrollment, Life Event Enrollment and Open Enrollment if you wish to display the HSA in these functions in Employee Self Service.
- Allow Selection: Click on the checkbox next to First Time Enrollment, Life Event Enrollment and Open Enrollment if you wish to allow the employee to select the HSA in these functions in Employee Self Service. If this checkbox is not selected, and Display HSA is selected, the HSAs will be shown as view only.

Employee Enrollment:

An HSA Group can be assigned to an employee when he or she is hired in the **Add Employee** or **New Hire** functions. It may be updated in **Work Profile**. It can also be assigned from the **Health Savings Accounts** function. If a group is already assigned, it cannot be changed on the HSA screen, but must be changed through **Work Profile**.

Select the **Health Savings Accounts** function. If the employee is already assigned to a HSA Group, it will be displayed. If the employee has not yet been assigned, the system will display a message, similar to the following.



When you click on OK, the system will display a page similar to the following where you can select the HSA Group for this employee.

**Sandra Morrison**  
Employee Number: 324  
Job Title: Office Manager  
Dept: Alpine Ski  
Employment Status: Active

**Set Employee's HSA Group**

\* = Required

\*HSA Group:

When the next page displays, the system allows you to change the enrollment year if necessary.

**Sandra Morrison**  
Employee Number: 324  
Job Title: Office Manager  
Dept: Alpine Ski  
Employment Status: Active

**Health Savings Accounts**

\* = Required

HSA Group: Full Time Group \*Enrollment Year:

To update, click on information in the left column.

Health Savings Account	Effective Date	Coverage End Date	Action
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Click on the Add button to see the available HSAs for this Group and year. Enrollment in an HSA will only be allowed if the employee is actively enrolled in a high deductible health plan. In Benefit Plans, high deductible health plans are indicated by entering an amount in the Maximum HSA Contribution Allowed field.

Click in the checkbox in the Select column to enroll in the desired HSA plans. Enter the Planned Contribution and Effective Date for each plan; click Submit.

**Sandra Morrison**  
 HSA Group: Full Time Group  
 Enrollment Year: 2010

**Add Health Savings Accounts**

Click check boxes to select.  
 \* = Required

Select	Health Savings Account	Planned Contribution	*Effective Date
<input type="checkbox"/>	HSA Catch Up	0.00	
<input type="checkbox"/>	Medical Family	0.00	
<input type="checkbox"/>	Medical Self	0.00	

The deduction will automatically be created, with the Fixed Deduction Amount calculated:

**Sandra Morrison**

Employee Number: 324  
 Job Title: Office Manager  
 Dept: Alpine Ski  
 Employment Status: Active

**Update Deduction** Legal Entity: Olympics, Inc.

\* = Required

* Payroll Deduction:	HSA Employee	Active:	<input checked="" type="radio"/> Yes <input type="radio"/> No
* Start Date:	01/01/2010	End Date:	12/31/2010
* Frequency:	Semi Monthly	* Arrears Option:	Part/Arr. (D)
Fixed Amount:	83.34	Fixed Amount - Supplemental:	0.00
Percent of Regular Wages:	0.0000	Percent Based On:	*no value
Percent of Supplemental Wages:	0.0000	Priority (000 highest):	0
Annual Maximum:	2000.00	Lifetime Maximum:	999999999.99
Default Annual Maximum:		Fiscal Year Maximum:	999999999.99
Monthly Maximum:	999999999.99	Quarterly Maximum:	999999999.99
Minimum Per Payment:	0.00	Maximum Per Payment:	999999999.99
One Time Adjustment:	0.00	Pay Date for Adjustment:	
Maximum EE/ER Combined:	2850.00	Algorithm Category:	*no value

When the payroll deduction is created, the following steps occur:

- 1) Before a Deduction can be written, the following data is retrieved:
  - HSA Definition for the HSA Year, Group and Code being processed.
  - HSA Amount for the Employee, Year, Group and Code being processed.
  - Benefit Deduction Defaults for the current user.
  - Payroll Deduction common object for the Deduction specified in the HSA Definition.
  - Workforce (Work Profile) for the Employee being processed.
  - Organization Level 2 Definition using the first two levels from the Workforce data.
  - Misc. Payroll record for the Legal Entity from Organization Level 2 and the Tax Year from the Benefit Deduction Defaults.
  - Pay Period End Dates on and after the HSA Effective Date from the employee's Pay Calendar
  
- 2) The system looks for a record in Deductions where
  - Employee# is from the HSA Enrollment.
  - Legal Entity is from Level 2 of the Organization Record based on the Employee's Workforce.
  - Deduction is from the HSA Definition.
  - Entered Deduction Start Date is the start date.
  
- 3) If a record is found, then this will be an update to the deduction, otherwise a new deduction is created.
  
- 4) Setting Deduction Values:
  - Employee# is from the HSA Enrollment.
  - Legal Entity is from Level 2 of the Organization Record based on the Employee's Workforce.
  - Deduction is from the HSA Definition.
  - Start Date is the earlier of the following: the HSA Effective Date or the first Pay Period End Date that has a Check Date on or after the HSA Effective Date.
  - Active is set to true.
  - End Date is the Termination Date of the HSA Definition.
  - Pay Frequency: If the Benefit Deduction Default = "P" and Employee Payroll is available, use Frequency from Employee Payroll; otherwise, from the Benefit Deduction Defaults.
  - Arrears Opt and Priority come from the Benefit Deduction Defaults.
  - HSA Group, Code and Year come from the enrollment screen.
  - The Maximum Per Year is set to the Planned Contribution (only if it is greater).

Note: If there are no Pay Period End Dates in the Pay Calendar after the HSA Effective Date (as would be the case for next year's enrollment), the system will get the Pay Frequency from the Employee Payroll record, and divide the annual contribution by the number of pay periods. This will be the Fixed Deduction Amount.

If Pay Period End Dates exist, the system calculates how many Remaining Pay Periods (after and including the Start Date) are left in the Pay Calendar, using the Legal Entity from Organization Level 2, Pay Group from Employee Payroll, and Year from the Benefit Deduction Default's Tax Year. The system only uses pay dates where Weeks Worked is greater than zero (this eliminates special payrolls, such as Bonus payrolls). The Fixed Amount is the Planned Contribution divided by the Remaining Pay Periods.

- 5) If a Deduction Accumulators record does not exist, it is created.
- 6) If there is a Deduction Definition for the Tax Year specified in the Benefit Deduction Defaults, and there is a fixed amount or percent, then check to see if an Employer Deductions exists. If it does, update it, otherwise add it, as follows:
  - Percent and Amount Buckets from the Deduction Definition defaults
  - Maximums and Minimums from the Deduction Definition defaults
  - Active set to true
  - Entered Deduction Start Date as the Start Date
  - HSA Definition Termination Date as the Termination Date.

When deductions are taken, the Actual Contribution field in the Health Savings Account function will be updated with the amount. Contributions can be entered from the Update page in Health Savings Accounts, say if an employee gave a check to the company to make up for a lost pay period. Any necessary adjustments can also be made through the Contributions screen (positive or negative). If you need to adjust the Planned Contribution amount, go to the Update page and enter the new amount. When claims are entered, the system will display the amount of Paid Claims, Open Claims, and calculate the Planned Contribution amount minus the Paid Claims amount.

Since employee elections are made only for the current year, new enrollments must be entered at the start of each new year.

New Year Data Preparation:

HSAs are entered by year. As part of the preparation to go from one year to the next, the **Health Savings Accounts Copy** function can be run to copy set-up information. Any changes can then be made to the new year's records. Health Savings Accounts must be defined for the new year before employees may be enrolled.

**Health Savings Account Plans Copy**

\* = Required

**From:**

<b>*Enrollment Year:</b> <input type="text" value="2010"/>	HSA Group: <input type="text" value="*No Value"/>
<input type="checkbox"/> Include All HSA Groups	

**To:**

<b>*Enrollment Year:</b> <input type="text" value="2010"/>	HSA Group: <input type="text" value="*No Value"/>
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→ submit cancel ←

Employees may be enrolled in HSAs for the following year using either the **Health Savings Accounts**, or employees may make elections using **Open Enrollment** in Employee Self Service.

On or around January 1, change the Maximum HSA Contribution Allowed in **Benefit Plans** to the new amount. This amount should be changed as close to January 1 as possible, since benefit plans are not effective-dated.

**Update Benefit Plans**

\* = Required

\* Group: F/T Employees      \* Category: Medical

\* Plan: High Ded. Med.      \* Option: Single Plan

Click on each tab to enter information about the benefit plan. When you have entered all information, click on the Submit button to save the data. The system will also save the benefit plan when you click on either the Zip Code Availability or Benefit Costs tabs.

**Plan Definition**    Coverage Calc.    Eligibility    G/L & Admin. Costs    On-Line Enroll. Options    Zip Code Avail.    Benefit Costs

**Plan Definition:**

\* Carrier: Aetna      Policy ID:

Active       Defined Contribution

Taxable Group Term Life Insurance       Medical Coverage for State New Hire Reporting Purposes

Allow beneficiaries to be specified       Display plan on Benefit Statement

Maximum HSA Contribution Allowed:  ←

**Costing:**

Use pay frequency to calculate deduction      Cost Method: Amount

Cost by age      Employee Deduction: HD Health Plan

Cost by smoker status      Employer Deduction: HD Health Plan

→ submit    cancel ←

Also on or around January 1, change the Max EE/ER Combined amount in Deduction Definition.

W-2 Reporting:

By entering Code W for both the employee deduction and employer deduction (if any), the system will combine the two amounts and print them in Box 12 of the W-2 form. If an extra amount needs to be taken from an employee's pay check, enter the adjustment amount in Deductions. You may also enter an adjustment in Employer Deductions. For employee amounts that cannot be processed in a pay check, enter it in the Deduction Adjustments function. If you are an Outsource client, send a request to a Unicorn HRO Pay Support representative and they will process the adjustment for you. The Deduction Accumulators must be correct in order for the W-2 amount to be correct. Any amounts entered in Deduction Adjustments should also be entered in the Health Savings Account function by clicking on the Enter Contributions button. If you enter a Deduction Adjustment you should also enter the Contribution in Health Savings Accounts so that the HSA and deduction amounts are equal.

Claims:

- Tables: Claims Expense Types  
Currency Codes  
Health Savings Accounts
- Dependents if claims are being entered for dependents

When the employee submits a claim against a health savings account, enter it through the **Employee Claims** function. To link the claim to an HSA, enter the Health Savings Account plan and the Amount Applied to HSA.