* * * IMPORTANT BULLETIN * * *

TO: GROUP HEALTH CLIENTS WITH HSA PLANS

FROM: GREENBERG & ASSOCIATES INSURANCE

DATE: DECEMBER 20, 2006

RE: NEW HSA LEGISLATION FOR 2007

WE RECEIVED THE FOLLOWING NOTICE REGARDING NEW LEGISLATION PASSED BY CONGRESS CONCERNING ENHANCEMENTS TO HEALTH SAVINGS ACCOUNTS, WHICH WILL TAKE EFFECT JANUARY 1, 2007. AFTER YOU'VE REVIEWED THE FOLLOWING, PLEASE DON'T HESITATE TO LET US KNOW IF YOU HAVE ANY QUESTIONS.

SHARON AND ADRIENNE

AS ADOPTED, THE HSA ENHANCEMENTS INCLUDE:

- Allows a one-time transfer of funds from flexible spending accounts (FSAs) and health reimbursement arrangements (HRAs) into HSAs regardless of annual contribution limits. The transfer may not exceed the lesser of either the balance in the FSA or HRA as of September 21, 2006, or the balance in the FSA or HRA as of the date of the distribution.
- Allows members to make a one-time, direct trustee-to-trustee transfer from an IRA to an HSA. Such distributions are subject to annual contribution limits, but not subject to the ten percent additional tax on early distributions.
- Allowing individuals with HSA qualified policies to contribute up to the annual contribution limit ($2,850 for individual coverage and $5,650 for family coverage in 2007), even if their deductible is less than this amount. The deductible is not considered in determining the contribution amount.
- Allowing individuals to make the maximum contribution to the HSA, regardless of when the HSA plan began. Taxpayers who purchase an HSA plan later in the year will still be allowed to make the full HSA contribution, instead of a pro-rated portion as is currently the case. This will enable them to completely cover their deductible with funds from the HSA if they have some large medical bills, and also gives them the same tax benefits as someone who purchased the plan earlier in the year. Taxpayers would be required to maintain a high deductible health plan for a full year beginning in the month the HSA begins, or pay tax on the contribution and a 10 percent penalty.
- Allowing employers to make higher contributions for "non-highly compensated" employees than for "highly compensated employees". The bill provides an exception to the current "comparability rules" that require companies to make equal dollar contributions to all HSA eligible employees with similar coverage (single or family) and work status (full-time or part-time).