

Benefits BRIEF



2024 HSA and HDHP Limits

• June 2023 •

The IRS recently released [Revenue Procedure 2023-23](#), announcing the new inflation-adjusted limits for health savings accounts (HSAs) and qualified high deductible health plans (HDHPs) for 2024. The limits are as follows:

	2024	2023	2022
Health Savings Account (HSA) Calendar Year Contribution Limit (Employer and employee contributions combined)			
<i>Single Coverage</i>	\$4,150	\$3,850	\$3,650
<i>Family Coverage</i>	\$8,300	\$7,750	\$7,300
HSA Additional Calendar Year Catch-Up Contribution Limit (For account holders age 55 and older)			
<i>Additional Amount</i>	\$1,000	\$1,000	\$1,000
High Deductible Health Plan (HDHP) (<i>Minimum deductible</i> per plan year)			
<i>Single Coverage</i>	\$1,600	\$1,500	\$1,400
<i>Family Coverage</i>	\$3,200	\$3,000	\$2,800
High Deductible Health Plan (HDHP) (<i>Maximum out-of-pocket limit</i> per plan year)			
<i>Single Coverage</i>	\$8,050	\$7,500	\$7,050
<i>Family Coverage</i>	\$16,100	\$15,000	\$14,100

Key HSA Issues

There are several issues to consider when offering a qualified HDHP 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 employees can make HSA contributions on a pre-tax basis is through a Section 125 cafeteria plan. It is important to note that if an employer does not make HSA contributions through a Section 125 plan, they will be subject to strict comparability rules. These rules may limit the employer's HSA contribution and funding strategies. If your Section 125 plan does not include the HSA, the employer should amend the plan document.

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

When it comes to employer contributions, there are different formulas to choose from that must be specified in the Section 125 cafeteria plan. The two most commonly used methods are a flat dollar amount for all participants or a flat dollar amount based on coverage tier (such as single versus two-person/family). Employers can also make contributions through a match or based on participation in a wellness program.

Employers also need to decide the timing of their HSA contributions. Typically, an employer could make a lump sum contribution at the beginning of the year, prorate the contribution over the plan year, or combine the two methods. While an upfront amount can help the employees with seed money to cover uninsured health expenses incurred at the beginning of the year, a significant disadvantage is the employer's inability to recoup the contribution if the employee is terminated during the year. Due to the nonforfeitable status of employer HSA contributions, most employers choose to prorate their HSA contributions throughout the year.

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

A medical flexible spending account (FSA) is a disqualifying coverage for purposes of HSA eligibility. To address this, some employers discontinue offering a medical FSA to employees enrolling in the HDHP based on 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 expenses such as uninsured dental and vision care. A limited-purpose FSA does not interfere with HSA eligibility.

Employers should be aware that a medical FSA with a grace period or a carryover prevents HSA eligibility in the following plan year. There are strategies to address grace period and 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 offer a telemedicine benefit along with their group health plan, including an HDHP. Employers often provide participants with this benefit at a low to no cost as a way to incentivize employees into utilizing this less expensive alternative to traditional healthcare. 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, it was reintroduced by the Consolidated Appropriations Act (CAA) of 2022 in March of 2022 for the remainder of the year. CAA 2023 has extended the relief for plan years from **January 1, 2023, through December 31, 2024.***

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

Contributions made to an HSA are nonforfeitable, and once a contribution is made, it generally cannot be taken back. However, some exceptions to this rule apply to excess or mistaken contributions in the following situations:

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

Employers should correct the error upon discovery because continued mistaken contributions to an employee who ceases to be HSA-eligible are not recoverable by the employer.

ADDITIONAL RESOURCES

Revenue Procedure Provides 2024 Adjusted Amounts for HSAs:

[Revenue Procedure 2023-23](#)

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 (2023):

[H.R.2617 - Consolidated Appropriations Act, 2023](#)