

The following information is meant to provide a general overview of certain rules and factors involved in determining whether voluntary Critical Illness, Accident, Hospital Indemnity and Legal benefits are subject to ERISA and how this determination impacts these programs.

HSA Compatibility





Congress has authorized a special tax favored arrangement known as a Health Savings Account (HSA). An HSA is a tax-exempt trust or custodial account that an individual can set up with a qualified HSA trustee to pay or reimburse certain medical expenses. In order to qualify for an HSA, the individual must: (i) be covered under a high deductible health plan, and (ii) have no other health coverage except what is specifically permitted under the HSA rules.

Under the HSA rules, the following types of insurance are acceptable “other” health coverages.

- Specific disease or illness
- Fixed amount per day (or other period) for hospitalization
- Medical accident coverage
- Disability income coverage
- Dental coverage
- Vision coverage

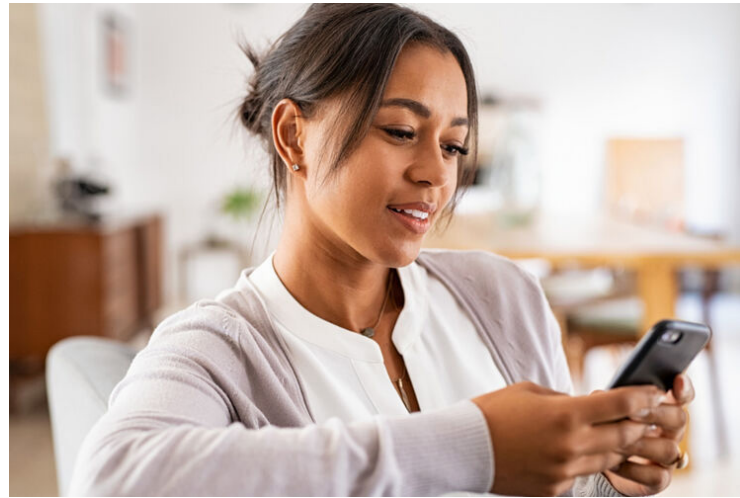


Refer to IRS Publication Number 969. However, if the “other” coverage includes any additional types of health benefits not listed above, for example a doctor’s office indemnity benefit, then the “other” coverage will cause the HSA arrangement to lose its tax favored status. Refer to IRS Notice 2000-58.

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The following benefits may also be provided to an HSA participant without jeopardizing the tax favored status of the arrangement:

- Hospital indemnity
- First day hospital admission indemnity benefit
- First diagnosis specified illness indemnity
- Disability income
- Life
- Accidental death



The following benefits are incompatible with an HSA (unless for an accident or injury):

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| <ul style="list-style-type: none"> • preventative care • surgical indemnity • outpatient diagnostic lab, x-ray and advanced studies indemnity • outpatient surgical facility indemnity • inpatient miscellaneous indemnity • inpatient doctor office benefit • durable medical equipment benefit | <ul style="list-style-type: none"> • emergency room or urgent care visit indemnity benefit • anesthesia indemnity • ambulance service indemnity • major organ transplant indemnity • doctor's office visit indemnity • hearing exam |
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VOLUNTARY BENEFITS ASSOCIATION*

Voluntary Benefits Association, Inc. a 501(c)(3) non-profit trade association

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