

2026-2027 Health Savings Account Fact Sheet for Administrators

This **Health Savings Account Fact Sheet for Administrators** is for groups offering a Consumer-Directed Health Plan/Health Savings Account (CDHP/HSA) through The Episcopal Church Medical Trust (Medical Trust).

It provides detailed information about HSAs and instructions on how to fund accounts when using HealthEquity, our preferred HSA custodian.

HSA Basics

- Accounts are owned by the employee.
- Accounts are portable from employer to employer.
- Unused funds roll over from year to year.
- HSA funds may earn interest.
- Funds in the HSA may be invested (once any applicable minimum threshold is met).¹
- Withdrawals from the HSA are not subject to federal income tax when they are used to pay for qualified medical expenses.²
- Employees may not be covered under any health plan that is not a qualified high-deductible health plan (HDHP) such as the CDHP, must not be enrolled in Medicare or TRICARE, must not be covered by a general-purpose Flexible Spending Account (including through their spouse), and may not be claimed as a dependent on another individual's tax return.
- Employees who are enrolled in Medicare (including premium-free Part A) may no longer fund an HSA, but they may continue to spend amounts previously contributed for qualified medical expenses and Medicare premiums.

HSA Overview

A qualified HDHP—such as the Anthem Blue Cross and Blue Shield (Anthem BCBS) CDHPs, the Cigna CDHPs, and the Kaiser CDHP—offered through the Medical Trust, allows employees to open an HSA if certain requirements are met. Employees pay no federal income taxes on contributions (or on earnings from contributions) to their HSAs up to the annual limit established by the IRS. Withdrawals from an HSA (including earnings) are not subject to federal income tax when they are used to pay for qualified medical expenses.²

Employees may choose to pay for expenses out-of-pocket and let the tax-favored funds grow in their HSA for future healthcare expenses, or they may choose to use the HSA funds as needed. Additional information about HSAs is in our **CDHP/HSA Fact Sheet for Members**, available on cpg.org/mtdocs. You may also visit HealthEquity's [member resource site](#).

Because of their tax-favored status, HSAs are subject to specific legal requirements. (See [IRS Publication 969](#)). We have provided some information in this document; however, **we recommend you work with your tax, accounting, and legal advisors to ensure that all requirements are being met regarding**

¹ For more information, see the [HealthEquity HSA Investment Guide](#).

² Employees may use HSA funds for non-medical expenses, but will owe taxes (and additional penalties, unless they are age 65 or over, are disabled, or are deceased) on any funds used for such purposes. Please note that certain states may tax HSA contributions or withdrawals; we encourage employees to consult with their personal tax advisor.

funding and tax reporting.

HSA Eligibility

To open an HSA, individuals must be enrolled in a qualifying HDHP. Generally, other health coverage is not permitted, with these exceptions: certain limited forms of supplemental health coverage (described in *IRS Publication 969*), separate dental and vision coverage, and disability coverage. Disqualifying health coverage includes non-HDHP coverage under a plan of your spouse's or domestic partner's employer, Medicare, TRICARE, and general-purpose healthcare flexible spending account (FSA) coverage. However, coverage is permitted under a limited-purpose flexible spending account (LPFSA), or a limited-purpose health reimbursement account (HRA), which are designed to work with an HSA. In addition, you may not be claimed as a dependent on another individual's tax return.

Annual HSA Employer and Employee Combined Contribution Limits

The IRS sets the maximum amount that can be contributed to an HSA each year.

2026	2027
Individuals \$4,400	Individuals \$4,500
Family \$8,750	Family \$9,000

Employees who are age 55 or older by the end of the year may make an additional contribution, up to \$1,000. The employee is responsible for ensuring that the maximum annual contribution limit is not exceeded.

Contributions must be made to the HSA by the date established by the IRS, which is typically tied to the deadline for filing individual tax returns.

Employee contributions can be made as follows:

- On a pre-tax basis through salary reductions as part of a cafeteria plan
- On a post-tax basis with a corresponding adjustment to income when filing your taxes (i.e., a deduction)
- By other family members who are qualified individuals

Employer contributions can be made on a pre-tax basis:

Employer contributions must be "comparable" for similarly situated employees (unless contributions are made through a Section 125 cafeteria plan, as described below).

Employer HSA Contributions

Each employer (parish, diocese, or other Episcopal organization) is responsible for defining its own contribution strategy and ensuring that it meets IRS requirements. You may need to work with your own tax experts to ensure compliance with tax requirements. For guidance, refer to Chapter 10, Guidelines for Employers, of *The Complete HSA Guidebook*.

The contribution strategy will define the amount of funds, if any, the employer will be depositing to an employee's HSA, the frequency with which these contributions will be made (biweekly, weekly, monthly, quarterly, or annually), and who will be eligible for any such contributions. The employer is responsible for communicating its contribution information to employees on an annual basis.

Prerequisites for HSA Contributions

Contributions can be deposited into a member's account only when each of these circumstances are met:

1. If the member is an eligible individual (i.e., has qualifying CDHP coverage and does not have other disqualifying health coverage)
2. After the member's HSA is opened
3. Once the qualifying CDHP coverage is in effect

HSA Member Setup

Members may choose their own bank to administer their HSA, or use HealthEquity, the Medical Trust's HSA vendor. The Medical Trust covers the cost of the administrative fees charged by HealthEquity to create and maintain online portals for employer groups. Members who enroll in any CDHP through the Medical Trust will automatically have an HSA created by HealthEquity and will receive a welcome kit, but it is up to the member to decide whether to use HealthEquity.

If the member uses HealthEquity as the HSA custodian, there are no setup fees for the HSA and maintenance fees for the subscribing member only are waived, provided the member is employed with a participating employer. If a subscriber's employment is terminated or if the member is no longer enrolled in a Medical Trust CDHP, they will be responsible for all fees.

Members who do not wish to use HealthEquity as their HSA custodian can choose, after consulting with their employer, to establish an HSA with any appropriate institution (e.g., those qualified to administer IRAs), but they will be responsible for all fees. **Employees who do so, however, will likely not be able to direct to that financial institution contributions by their employer (if any) or pre-tax salary reduction contributions.**

Consequently, such employees may lose valuable employer contributions and the ability to make contributions through convenient payroll deduction. (They will still be able to make after-tax contributions up to the applicable contribution limit and claim a corresponding deduction on their federal income tax return.)

Employer Submission of Contributions to HSAs

Funding HSAs through HealthEquity's online portal has multiple advantages, including streamlined contributions, greater control, and access to detailed account records. You will be able to do the following:

- Make contributions directly to your employees' HSAs
- Link bank accounts to facilitate HSA contributions
- View contribution history for payments made through the online portal
- Access reports
- Add additional administrative users/logins for other staff in your group
- Access the HSA vendor's forms and documents resource library

Once your online portal has been created, you will receive an Employer Welcome Kit from HealthEquity and instructions for registering your online portal. If you do not receive the welcome kit email, you can still register your online portal by contacting HealthEquity's Employer Services team. The HealthEquity team will assist you with the registration process and is also available to conduct individual online portal demonstrations.

- To access HealthEquity's toll-free Employer Services line, please call (866) 382-3510.
- To access HealthEquity's Employer Welcome Kit, please go [here](#).

Please note: The process outlined above does not apply to groups that do not use HealthEquity as their HSA administrator. If you are interested in learning more about HealthEquity HSAs, please contact your Benefits Relationship Manager or call Client Services at (855) 215-5990.

Special Information for Domestic Partners and Same-Gender Spouses

If your group allows domestic partners to be covered as dependents on your health plan, then an employee's domestic partner can enroll in a CDHP. However, the IRS does not permit an employee's HSA funds to be used to cover the healthcare expenses of domestic partners, unless the domestic partner otherwise qualifies as the employee's federal tax code dependent. The domestic partner can open their own HSA, which the employer may choose to fund or not. Note, however, that an employer contribution to the HSA of a non-employee is included in the employee's taxable income.

Same-gender couples who are legally married can use the account in the same way as opposite-gender married couple

Important Tax-Related Information

You must report all employer contributions to an HSA (including an employee's contributions through an Internal Revenue Code section 125 cafeteria plan) in box 12 of Form W-2 with code W. Do not include after-tax employee contributions to an HSA in box 12. The employee will report after-tax contributions on Form 8889. For further information, refer to *IRS Publication 969*.

Section 125 Cafeteria Plans & Comparable Contributions

If you decide to make employer HSA contributions, you are required to either (1) make such contributions through the Medical Trust's Section 125 cafeteria plan set up for the purpose of making employer HSA contributions or (2) make such contributions through your own Section 125 cafeteria plan. Employers are set up automatically to use the cafeteria plan sponsored by the Medical Trust for this purpose, without any action by the employer necessary, unless the Employer elects to use its own cafeteria plan. If an Employer elects to use its own cafeteria plan, it is required to ensure (and is deemed to represent to the Medical Trust) that such cafeteria plan satisfies, and will continue to satisfy, the requirements of Section 125 of the Internal Revenue Code (including the non-discrimination rules applicable to Section 125 cafeteria plans).

Alternatively, if employer HSA contributions are not made through a Section 125 cafeteria plan, the Employer would be required to make "comparable" contributions to the HSAs of all comparable participating employees. Your contributions are comparable if they are either:

- the same amount or
- the same percentage of the annual deductible limit under the CDHP covering the employees.

Employers subject to the comparability rules must also provide an annual notice to all eligible employees who have not established an HSA, informing them that, if they establish an HSA by a certain deadline, they will also be entitled to receive comparable contributions.

If a participating employer makes contributions to employees' HSAs that are not comparable, the employer must pay an excise tax of 35% of the amount contributed to the IRS.

Employment Taxes

Employer contributions to their employees' HSAs are generally not subject to employment taxes (e.g., Social Security and Medicare).

HSA Information from the U.S. Internal Revenue Service

The HSA section of the IRS website includes links to informational brochures, current regulations, FAQs, IRS forms, and publications such as:

[*Publication 502*](#) – A list of qualified medical expenses

[*Publication 969*](#) – A detailed explanation of HSAs and how the IRS treats them

HSA Information from HealthEquity

Additional information about HSAs is available online from:

[*HealthEquity: Member resource site*](#)

[*The Complete HSA Guidebook*](#)

[*Invest Your HSA Dollars*](#)

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