

IS YOUR HOSPITAL INDEMNITY INSURANCE HSA COMPATIBLE?

We'll help you sort it out.



With high-deductible health plans, employees can be exposed to higher out-of-pocket expenses. So, employers often look for ways to help ease financial pressure by offering additional benefits like health savings accounts (HSAs) and voluntary benefit options like hospital indemnity insurance. But when combining these benefits, it's important to make sure they work together – not against one another.

Here are some tips to help you determine if the hospital indemnity insurance you offer your employees is compatible with their HSA plan, according to IRS requirements.¹

In order for the plan to be HSA compatible, each of its benefits must pass the following tests. Each benefit must pay:

- A **fixed** amount.²
- On a **per-period** basis.³
- On the basis of a **hospitalization**. Generally speaking, that means the hospital indemnity plan pays benefits when the employee is hospitalized. In one ruling, the IRS determined that a benefit that pays for hospital confinement qualifies.

If a hospital indemnity insurance plan is not HSA compatible, it can jeopardize the pre-tax status of an HSA.



Employees with access to HSA plans should be encouraged to speak with their tax advisors about any questions they may have.

To learn more about Cigna's hospital indemnity plans, contact your Cigna sales representative or broker today. Cigna.com/group-voluntary

Together, all the way.®



1. As noted under section 223 of the IRS code.

2. Fixed flat amount, as opposed to "up to" benefit designs.

3. Per day, per week, per month.

This is intended to serve as a general reference for issues relating to the tax benefits of Health Savings Accounts when the account holder is insured under a Hospital Indemnity product. It serves only as a guide that explains Cigna Group's position on these issues. This material may be provided to employers and producers as a source of general background information. However, it is not intended to be relied on by third parties as legal or tax advice.

GROUP HOSPITAL CARE (INDEMNITY) INSURANCE POLICIES PAY LIMITED BENEFITS ONLY. THEY DO NOT CONSTITUTE COMPREHENSIVE HEALTH INSURANCE COVERAGE AND ARE NOT INTENDED TO COVER ALL MEDICAL EXPENSES. THIS COVERAGE DOES NOT SATISFY THE "MINIMUM ESSENTIAL COVERAGE" OR INDIVIDUAL MANDATE REQUIREMENTS OF THE AFFORDABLE CARE ACT.

Product availability may vary by location and plan type and is subject to change. All group insurance policies and group benefit plans may contain exclusions, limitations, reduction of benefits, and terms under which the policy may be continued in force or discontinued. Benefit waiting periods may apply. For costs and complete details of coverage, contact your Cigna representative.

All Cigna products and services are provided exclusively by or through operating subsidiaries of Cigna Corporation, including Life Insurance Company of North America. Policy form: GHIP-00-1000, GHIP-00-1000.0Ra. The Cigna name, logo, and other Cigna marks are owned by Cigna Intellectual Property, Inc. All pictures are used for illustrative purposes only.