

## Why Wait for Change When You Can Have It Now? Mid-Year Takeovers

Question: Does a mid-year takeover of HSAs have a blackout period? Can you speak to an HSA transition?

When an employer has been offering health savings accounts via an old TPA and there is a transition to a new TPA, there are some information points on which to be aware.

- First, there is nothing wrong or non-compliant about an employee having more than one health savings account. However, between the multiple accounts, the IRS contribution limits must be held.
- Next, the employee is the owner of the bank account. So it is the employee's individual decision whether or not the employee wants to transfer funds from the old bank account into the new HSA bank account. The employee knows that bank balance whereas the employer does not. So an employee who has \$200 in the bank account might make a decision to simply spend down the bank account and close it. An employee with \$2000 in his/her bank account might decide to transfer funds so he/she can take advantage of investment opportunities as quickly as possible. Please note, it is common for a bank to have a bank closing fee.
- Opening up a new health savings account requires a bank legally required process call Customer Identification Process. For some employees who fail the CIP process, it may take a bit longer to open the new health savings account with EBC. Once the bank account is established and funded, the employee can do an internet bank transfer from the health saving account into a personal checking or savings account to pay himself back for an eligible expense. So there could be time when an employee cannot access the old bank account or the new bank account. However, ultimately, the expenses can be reimbursed to the employee.