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**New York State Department of Health  
Bureau of Early Intervention Electronic Mailing List**

**Health Spending Account (HSA) Guidance**

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Dear Colleague:

This guidance is in response to questions that the Department has received regarding EI families' Health Spending Account (HSA) funds that are incorrectly being sent to EI service providers by insurance companies for payment of services under the program.

It has come to our attention that a number of EI providers have received payments from HSAs of families whose children have been served in the EI program. HSAs are not insurance and providers should never be paid from HSAs. Although these payments may have been made inadvertently through a second party payor (the insurer), they are not allowed under the EI program and must be refunded to the family's HSA by the insurer immediately. HSA account information should not be entered into the NYEIS or KIDS systems.

Once the family's HSA monies are returned to the HSA by the insurer, providers will be paid for their services through the escrow account.

As an EI provider, you may be made aware by the family, the State Fiscal Agent, DOH or a service coordinator that HSA funds were inadvertently used to pay you for EI services. When a provider is notified or determines that they have inadvertently received HSA funds they should:

1. Work with the family's service coordinator to have the insurance information maintained in NYEIS or KIDS corrected and, if needed, the HSA information removed.
2. Contact the State Department of Health via email to report the issue at [bei@health.state.ny.us](mailto:bei@health.state.ny.us).
3. Identify the total amount of the claims paid to the provider from the family's HSA.
4. Contact the insurance company and ask for direction to return the payment to the insurer and ultimately to the family's available benefits. Please return these funds to the insurance company within 10 business days to be placed back into the family's HSA. Service coordinators can assist providers with this process in order to protect the family's insurance benefits.

For your convenience we have included a sample Payment Reversal Letter that you can use to send to the insurer with the returned funds. We have also attached a sample letter that you can give to the parent, which they can send to the insurer requesting return of funds to their HSA.

- s. Once the payment has been returned to the insurer, the provider should take the following steps to ensure payment is processed from the escrow account:
  - a) Enter into EIBilling.com the information that the payment has been returned to the insurer, in the same manner as you enter denial information, using the State Fiscal Agent's EOB process. For 'denial reason' you should enter the phrase "non-regulated funds returned to insurer".
  - b) For a more detailed explanation of how EOBs are entered into the EIBilling.com website, please see the following knowledge base article: <https://support.eibilling.com/KB/a87/entering-eobs.aspx>.
6. Parents, providers and the State Fiscal Agent will know that the funds have been returned to the HSA by reviewing the updated EOB sent by the insurance company.

Dollars are placed in an HSA pre-tax by the employee and sometimes the employer for the payment of qualifying health care costs. The plan administrator (the insurance company) is required to prepare a statement of HSA distributions (1099 SA) for the calendar year and send to the taxpayer for the preparation of form 8889.

We rely on and encourage EI families to let us know if providers' payments were taken from their HSA. We, in no way, intend for the family's HSA resources to pay for EI services. Many times the provider's billing department is not cognizant of the source of payment, as payments are made by the insurance company and appear as typical insurance payments.

We hope this information is helpful to you and will prevent family's HSA funds from being misused in error to pay for EI services. If you need additional information about this issue please contact the Bureau of Early Intervention at 518-473-7016 or email them at [bei@health.state.ny.us](mailto:bei@health.state.ny.us)

Please do not reply to this email.

Thank You.

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