



HEALTH SAVINGS ACCOUNT (HSA)

A Health Savings Account (HSA) is a tax-advantaged medical savings account available to taxpayers in the United States who are enrolled in a High Deductible Health Plan (HDHP). The funds contributed to an account are not subject to federal income tax at the time of deposit. Unlike a Flexible Spending Account (FSA), funds roll over and accumulate year to year if not spent. HSAs are owned by the individual, which differentiates them from company-owned Health Reimbursement Arrangements (HRA) that are an alternate tax-deductible source of funds paired with either HDHPs or standard health plans. HSA funds may currently be used to pay for qualified medical expenses at any time without federal tax liability or penalty. Withdrawals for non-medical expenses are treated very similarly to those in an IRA in that they may provide tax advantages if taken after retirement age, and they incur penalties if taken earlier. These accounts are a component of consumer driven health care (CDHC). Proponents of HSAs believe that they are an important reform that will help reduce the growth of health care costs and increase the efficiency of the health care system. In addition, HSAs encourage saving for future health care expenses, allowing the patient to receive needed care without a gate keeper to determine what benefits are allowed making consumers more responsible for their own health care choices through the required High-Deductible Health Plan.



HSA Market Momentum:

- Half of insured Americans had a high-enough deductible in 2009 to qualify for an HSA. Of the two types of CDHPs, HSA-based plans were less expensive than HRA-based plans (\$6,027 compared to \$6,420).
- According to the Blue Cross Blue Shield Association, HSA deposits in the U.S. will exceed \$30 billion by 2012!



Consumer-Driven Health Plans:

- 44% of employers offer a CDHP to employees, up from 28 % in 2006.
Of those offering CDHPs:
 - 56% use the HSA model; 35% use the HRA model; and 9% use both.
- 83% of employers offer the HSA or HRA as an optional plan.
- 51% of employers believe the main reason their workers choose not to enroll in a CDHP is fear of out-of-pocket expenses associated with high deductibles.
- 38% of employers currently offering a CDHP are doing so to control health plan costs.
- 63% of employers have more than 10% of their employees participating in a CDHP.

*Source: Aon Consulting and the International Society of Certified Employee Benefits Specialists



Cost Savings with Consumer Driven Healthcare:

- Through full replacement HSA and HRA plans, employers saved \$21 million per 10,000 members over five years.
- Employers who offer CDH plans as an option saved \$7 million per 10,000 members over five years.
- Employers who engaged employees for successful adoption saved \$23 million per 10,000 members over five years.

*Source: Aetna Survey



Pre-Tax Plans Create Tax Savings:

- For the employer, they reduce payroll taxes by decreasing matching FICA Social Security (6.2%) and Medicare (1.45%) taxes. They lower federal and state unemployment taxes and create possible savings on workers compensation.
- For the employee, they reduce taxable income on average 30% through pre-tax payroll deductions, federal and state income taxes, and FICA - Social Security and Medicare taxes.

Rolling out the new Benefit Strategies, LLC, HSA Administration Program March 2011!
Contact the Sales Team at sales@benstrat.com for more information.