



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.
- Participants reduce taxable income on an average of 30% through pre-tax payroll deductions, federal and state income taxes, and FICA - Social Security and Medicare taxes.



HSA Facts

- The HSA account is a personal financial asset.
 - Participants can accumulate balances [as in a 401(k) or IRA]
 - Participants can invest the contributions to accelerate growth. Investments are automatically made to the participants chosen accounts when the HSA has grown to \$2,100.
- The account is inheritable so a beneficiary must be appointed.



HSA Yearly Maximums

- Single coverage maximum- \$3,050
- Family coverage maximum- \$6,150
- An additional \$1,000 catch-up contribution may be made for an Accountholder who is at least age fifty-five (55) or older and not enrolled in Medicare.



Distributions

- Distributions for eligible expenses are tax-free
- You can reimburse your own, your spouse's and dependents' expenses
- You can pay with personal funds and then reimburse yourself tax-free from your HSA.
- Tax-free distributions can continue to be used for eligible expenses, even if you're no longer eligible to make additional contributions.

Contact the Benefit Strategies, LLC at info@benstrat.com or 603-647-4666 for more information.