

## Health Savings Accounts (HSA)

### *What is an HSA?*

An HSA is an account established by an employee to set aside money for future out-of-pocket medical expenses such as deductible expenses.

### **HSA Plan Features**

- An HSA must be accompanied by a qualified High Deductible Health Plan (HDHP)
- The employee, employer, or both may fund an HSA.
- Annual HSA contributions are limited to \$3,050 per individual, \$6,150 per family (2010 & 2011); individuals age 55 or older may contribute an additional \$1,000 catch up contribution.
- The individual employee owns the HSA account and has discretion over how funds are spent.
- Funds may roll from year to year and can generally be invested in higher yield accounts.

### *What qualifies an HDHP?*

- An HDHP must have a minimum deductible, \$1,200 per individual, \$2,400 per family (2010 & 2011).
- First dollar coverage may only be provided for certain preventive care.
- Non-preventive prescription drug coverage before the deductible is met is not allowed.

### *Are contributions to an HSA taxable?*

- No, contributions by an employer are fully deductible. Contributions by an employee are also tax-free.
- In fact, contributions will grow tax deferred and are tax free upon withdrawal as long as they are used for qualified medical expenses.

### *How can an HSA save me money on health insurance premiums?*

- The premiums for a HDHP are generally substantially lower than a traditional health insurance plan.
- An HSA engages employees so they will be more aware of the cost of health care services, which can lead to better utilization habits, which could lead to lower claim costs in the future.