

# Health Savings Accounts

## Understanding a Health Savings Account

### What is a Health Savings Account?

A Health Savings Account (HSA) is an account that can be funded with your tax-exempt dollars, by your employer, or both, to help pay for eligible medical expenses not covered by an insurance plan, including the deductible, coinsurance, and even in some cases, health insurance premiums.

### Who is eligible for an HSA?

Anyone who is:

- Covered by a High Deductible Health Plan (HDHP);
- Not covered under another medical plan that is not a HDHP;
- Not entitled to Medicare benefits; or
- Not eligible to be claimed on another person's tax return.

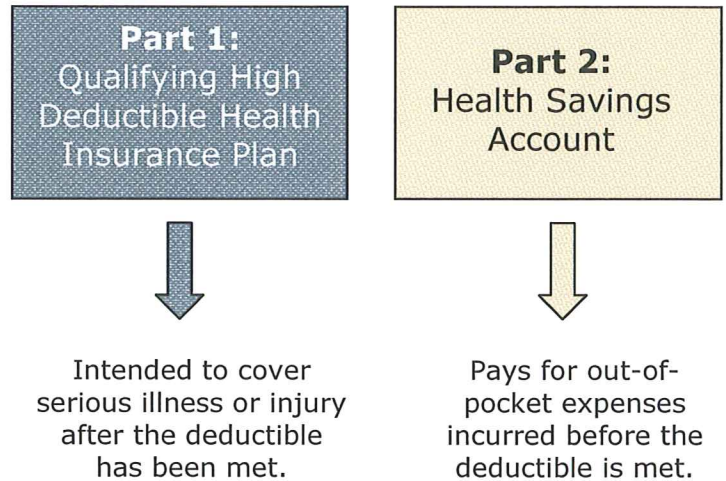
### What is a High Deductible Health Plan (HDHP)?

A High Deductible Health Plan is a plan with a minimum annual deductible and a maximum out-of-pocket limit as listed below. These minimums and maximums are determined annually by the Internal Revenue Service (IRS) and are subject to change.

Type of Coverage	Minimum Annual Deductible	Maximum Annual Out-of-Pocket
<b>Individual</b>	\$1,100/\$1,150*	\$5,600/ \$5,800*
<b>Family</b>	\$2,200/\$2,300*	\$11,200/ \$11,600*

\*2009 limits

## How does an HSA work?



## What are the steps in an HSA?

1. Employee and/or employer funds HSA account.
2. Employee seeks medical services.
3. Medical services are paid by the HDHP, subject to a deductible and coinsurance.
4. Employee may seek reimbursement from their HSA account for amounts paid toward deductible and coinsurance.
5. Deductible and out-of-pocket maximum are fulfilled.
6. Employee may be covered for all remaining eligible expenses.\*

Preventive care may be covered at 100%\*

\*Subject to plan design, check Summary Plan Description.

### **When do I use my HSA?**

After visiting a physician, facility, or pharmacy your medical claim will be submitted to your HDHP for payment. Your HSA dollars can be used to pay your out-of-pocket expenses (deductibles and coinsurance) billed by the physician, facility, or pharmacy or you can choose to save your HSA dollars for a future medical expense.

### **What is a deductible?**

It is a set dollar amount, determined by your plan, that you must pay, out-of-pocket or from your HSA account, before insurance coverage for medical expenses can begin.

### **How much can I contribute to an HSA?**

As noted by federal law for the 2008 calendar year, the annual contribution limits are:

- **\$2,900 (\$3,000 for 2009)** for individual coverage or **\$5,800 (\$5,950)** for family coverage.

Individuals age 55 or older may be eligible to make a catch-up contribution of \$900 (\$1,000 in 2009) in 2008.

### **What is the difference between an HSA and Flexible Savings Account (FSA)?**

- An HSA can roll-over unused funds from year to year.
- An FSA cannot roll-over unused funds from year to year.

### **Can I contribute to both an HSA and a FSA in the same year?**

Yes, a "limited FSA" is permissible. A limited FSA only allows reimbursement of expenses that are not eligible for payment under the HDHP or HSA. For example, an employer may establish a limited FSA to allow employees to contribute pre-tax dollars to an account which only reimburses expenses for dental services. Please ask your employer if a limited FSA is available to you.

If you are covered under a FSA plan that includes a grace period, you are eligible to establish an HSA in the following year if your FSA had a zero balance at the end of the plan year or if you transfer your unused balance into the HSA at the end of the FSA plan year.


### **What if I enroll in an HSA in the middle of a year?**

If you enroll in an HSA in the middle of a year, you are allowed to make a full year's contribution, provided that you remain covered by the HSA for at least the 12-month period following that year.

### **Why should I elect an HSA?**

#### **1. Cost Savings**

- Tax Benefits
  - HSA Contributions are excluded from federal income tax
  - Interest earnings are tax-deferred
  - Withdrawals for eligible expenses are exempt from federal income tax
- Reduction in medical plan contribution
- Unused money is held in an interest-bearing savings or investment account



Note: Many states have not passed legislation to provide favorable state tax treatment for HSAs. Therefore, amounts contributed to HSAs and interest earned on HSA accounts may be included on the employee's W-2 for state income tax purposes.

## **2. Long-Term Financial Benefits**

- Save for future medical expenses
- Funds roll over year to year
- This is your account – you take it with you

## **3. Choice**

- You control and manage your health care expenses.
- You choose when to use your HSA dollars to pay your health care expenses.
- You choose when to save your HSA dollars and pay health care expenses out of pocket.