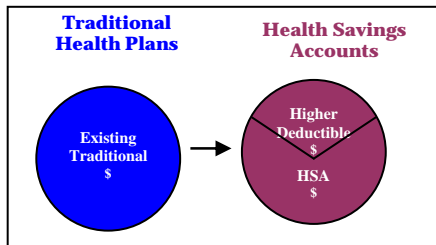


Health Savings Accounts

What is a Health Savings Account?

An HSA combines high deductible health insurance with a tax-favored savings account. Money in the savings account helps pay the deductible.

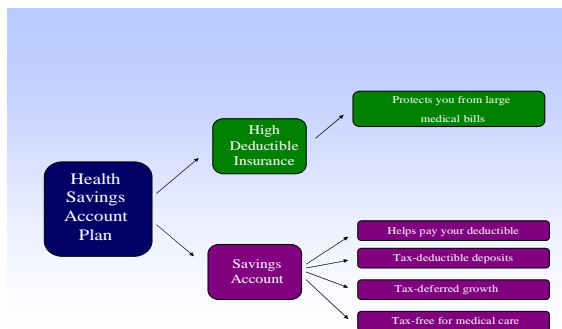


Once the deductible is met, the insurance starts paying. Money left in the savings account earns interest and is yours to keep.

Why High Deductible Health Insurance?

To get the benefits of an HSA, the law requires that the savings account be combined with high deductible health insurance. High deductible health insurance costs less than traditional \$250 or \$500 deductible coverage, because the insurance company doesn't pay claims for routine, low-dollar medical care.

How does a Health Savings Account work?



You obtain coverage under a qualified health insurance plan with a minimum deductible of \$1,100 for singles and \$2,200 for families.

Each year you're allowed to save 100 percent of the health plan's annual deductible, plus additional money for other expenses. Older Americans can save even more!

You use the savings account to pay for your lower-dollar medical expenses, or those that aren't covered by the health plan.

Once you meet the deductible, the health insurance covers your medical expenses as defined in the policy.

What are the benefits of a Health Savings Account?

Medical

Simple:

100% coinsurance after the deductible is met (optional 80% coinsurance to lower the premium).

Predictable:

One deductible per family.

Comprehensive:

Quality medical, including adult preventative care and prescription drugs.

Savings Account

First Dollar:

Savings can be used to help pay the deductible and for non-covered medical expenses, such as dental and vision.

Security:

Savings reduce or eliminate annual out-of-pocket exposure.

Pool of money:

Savings that are not spent remain in the HSA tax-deferred.

Tax Benefits

Tax-deductible:

Contributions to the HSA are 100% deductible – just like an IRA.

Tax-favored:

Withdrawals for covered medical expenses are never taxed.

Tax-deferred:

Interest earnings accumulate tax-deferred, and if used for qualified medical expenses, are tax-free.

Health Savings Accounts

Health Savings Account Programs (HSA) consists of two important parts. First, you have a major medical insurance program to pay health care expenses for you and your family. Secondly, you have a savings account that has tax-advantaged features, and allows you to use the savings to pay for your medical care out-of-pocket expenses.

Health Savings Programs were designed by the federal government and are subject to the rules, restrictions, and laws that govern these plans.

Part 1 – Major Medical Insurance Plan

The major medical insurance program has to be a qualified plan according to the government rules. The minimum deductible allowed is currently \$1,100 for a single enrollee and \$2,200 for an enrollee with dependent coverage. The government has also implemented various coverage rules that these insurance plans must comply with including the elimination of prescription cards and office visit copay. While prescriptions and office visits are still covered under these plans they are subject to the deductible and co-insurance provisions of the plan. A third difference under HSA programs is the deductible being either a “single” deductible, or a “family” deductible. This means that if an employee has dependents covered under their policy, they must meet the entire “family” deductible before any benefit is paid.

Part 2 – Health Savings Account

The savings account is an optional account that can be set up by the employee. This account usually consists of a checking account with a banking institution that includes a debit card.

The employee, the employer, or a combination of both can contribute pre-tax dollars to this account. The employee owns the account and names a beneficiary to whom the account would pass to if something happened to them. The employee is also responsible for making sure the account abides with the rules and regulations that are set up for Health Savings Accounts. The contribution limits for 2009 are \$3,000 for single contracts, and \$5,900 for family contracts.

The account enjoys tax benefits. The contributions into the account are pre-tax dollars. The accounts accumulate interest on a tax-deferred basis, and withdrawals from the account are tax-free if they are used for “qualified” medical expenses. The value in these accounts can also rollover year to year – they are not a “use it or lose it” type of program. Hopefully an employee will accumulate a nest egg that can be used for the medical expenses during their retirement years.

An employee can use the funds in savings account for “qualified” medical expenses. This includes, but is not limited to, medical care (office visits, prescriptions, lab tests, x-rays, hospital charges, etc.), dental care, vision care, plus over the counter medicines (cough drops, cold medicine, Advil, Tylenol, contact lenses solution, diaper rash ointment, etc.) The listing of “qualified” medical expenses is determined by the IRS and published under ruling 213(d). If an employee used the money in the account for “non-qualified” expenses, they are subject to pay taxes and penalties.

For More Information Please Contact the
Employee Benefit Division at 800/589-6982:



This is an informative brief description of Health Savings Accounts and some of their features. It is not intended to be used for legal or tax purposes. For specific legal or tax questions, please contact your legal professional.