How does a Health Savings Account lower health insurance costs?

Moving from a very expensive traditional health insurance plan to a qualified high deductible health plan will generally lower health insurance premiums by 20-50%. The premium reduction happens because the deductible may be higher and expensive first dollar co-pays are eliminated. Interestingly, most of the time the high deductible plan will save more than enough premium dollars to cover the increased financial exposure. In fact, it is rare when a high deductible health plan does not offer less out-of-pocket cost overall (premium expense plus out-of-pocket costs).

The Health Savings Account simply allows for the saving of tax-deferred dollars for future health care expenses, which may or may not occur. <u>In other words, the risk of having the increased deductible can be eliminated by funding the HSA.</u>

Money is saved by switching to a *qualified high-deductible health plan.* Out–of-pocket costs are eliminated by funding the HSA.

You can achieve the following benefits by switching to an HSA-qualified health insurance plan:

- 20%-50% Premium Reductions
- Out of Pocket expenses paid from a tax-free savings account

"Your Consumer Driven Health Care Specialist!"

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Health, HSAs,
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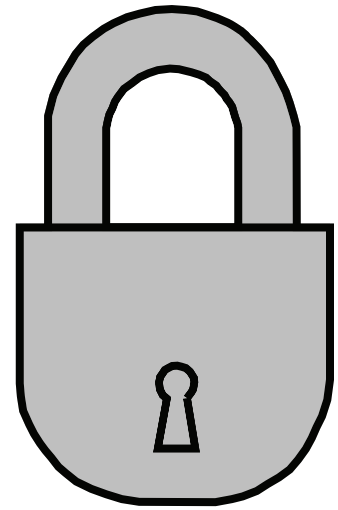

Consumer Driven Health Care

Health Savings Accounts

What Is An HSA?

Created in the Medicare Modernization Act of 2003, an HSA is a tax-advantaged health savings account. It is often referred to as a ***"Health Care IRA."*** HSAs can be a very effective tool for substantially lowering health insurance premiums. It may also allow you to increase the level of health care benefits you receive on a tax-free basis, and provide a source of retirement income. HSAs are a permanent, federal program effective January 1, 2004.

Who can establish an HSA?

Generally, anyone under 65 years of age who is not enrolled in Medicare, or a dependent on another's tax return who is covered by a *qualified high deductible health plan.*

What is a high deductible health plan?

For 2010, any health insurance plan with an annual deductible of not less than $1,200 for individual coverage, and $2,400 for family coverage, with a cap on out-of-pocket limits (including deductible) of $5,950 for individuals and $11,900 for families. After the out-of-pocket limit has been reached, the health insurance plan must pay 100% of covered costs. Inflation adjustments will apply to these limits in following years. Preventative care may be covered on a first-dollar basis. Families must be covered by an aggregate or one-deductible plan.

How does money get contributed to the HSA?

A common misbelief is that the health insurance premium goes into the health savings account. The contribution to the HSA can be seen as one of two checks that is written for health coverage each month. Your premium payment is always that which pays for your *qualified high deductible health plan.* The HSA contribution is a second check which you deposit to cover future medical and health-related expenses that may occur underneath the deductible. Unlike your health insurance premium, unused HSA funds accumulate on a tax-deferred basis, earning interest. Your unspent HSA money belongs to YOU!

The HSA contribution is voluntary and made at the discretion of the policy owner. It can be done monthly, periodically, or in one lump sum. There is no requirement to contribute to the health savings account, and the payment of the health insurance premium does not put money into the HSA.

How much money can be contributed to the HSA?

For 2010, the maximum Health Savings Account contribution is $3,050 for individuals and $6,150 for families. These limits will be adjusted for inflation in following years.

The Health Savings Account contribution is 100% tax-deductible (federal and state).

Individuals 55 years old and older may contribute more to the account each year. Starting in 2009, an additional $1000/yr contribution is allowed for each HSA account held.

What can tax-free HSA funds be used for?

Money can be withdrawn tax-free from the Health Savings Account to pay for expenses under IRS Section 213(d). It includes, but is not limited to, the following:

- *Doctor and Hospital Bills*
- *Prescriptions and Over-the-Counter*
- *Medication*
- *Vision Care and Eyeglasses*
- *Dental Care and Braces*
- *Chiropractic Care and Alternative*
- *Medicine*
- *Psychiatry and Behavioral Health Care*
- *Hearing Aids*

And more

HSA funds may be used for Long Term Care Insurance premiums and COBRA continuation policies, HSA funds may not be used to pay health insurance premiums. When you reach age 65, you can use your HSA money for retirement income.

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