

# Health Savings Accounts: an excellent option for insurance coverage

The Health Savings Account (HSA) is an alternative to traditional health insurance. The HSA enables you to pay for current health expenses and save for future qualified medical and retiree health expenses on a tax-free basis. The HSA is a savings product that offers a different way for patients to pay for their health care.

## How HSA's Work

1. You must have a qualified **High Deductible Health Insurance Plan (HDHP)** also called a catastrophic health insurance plan in place. Remember, you generally pay less monthly premiums for the higher deductible health plans. You continue to pay for your monthly insurance premiums when participating in an HSA.
2. The HSA allows you to invest a portion of **pre-tax dollars into qualified financial vehicles** such as mutual funds, money market accounts, savings accounts, etc. which grow tax-free. These invested pre-tax dollars are to be used for health services.
3. When you need to see a health care provider like your acupuncturist, chiropractor, dentist, etc. **you can draw from the HSA account to pay for your treatment** with these pre-tax dollars you have saved each month.
4. At the end of the year, the money in the HSA rolls over to the next year. **You do not lose it** to the government like the FSA's. This is the beauty of the HSA. It is your money. **Unused balance rolls over and stays with you from year to year to be used on your health care expenses** and the unused balance grows in the investment vehicles of your choice.

## Example of How it Works

The logic for the High Deductible Health Plan (HDHP) is that there is usually a lower cost monthly premium than a **Lower Deductible Health Plan (LDHP)**. The money saved can be invested in the HSA monthly to benefit you in years to come.

The figures on Table 1 are for demonstration only. Consult an insurance broker for details in your case.

The trade off is with the HDHP, you have lower monthly insurance premiums which allow you to put the difference (savings) into an HSA investment vehicle for the future health care expenses.

If the invested, unused balance has a reasonable rate of return, the HSA has the potential for substantial health care dollars for future care.

## Medicare – What About the Future?

Right now Medicare is in relatively good financial shape, however this will not be the case in 20 years as the population shifts and fewer people are paying into the Medicare program to support those drawing benefits. Fewer people paying for Medicare benefits means less money for Medicare patients or higher taxes for those paying. When there is less money for health services, the only option Medicare has is to reduce services and/or provider reimbursement. The HSA is one way to ensure that you have the health care options you want – not those options dictated by the federal government.

**Health Savings Accounts are not Flexible Spending Accounts**

The HSAs are not to be confused with the well known Flexible Spending Account (FSA) which requires a person to guess the health expenses for the next 12 months and put aside this money for health care during this time. After the 12 month period, any unused money in the account is taken by the government. The consumer loses the unused portion to the federal government with an FSA. This is not the case with an HSA.

**Can You Have an HSA and FSA?**

You can have both types of accounts (FSA and HSA), but only under certain circumstances. If your employer offers a "limited purpose" (limited to dental, vision or preventive care) or "post-deductible" (pay for medical expenses after the plan deductible is met) FSA, then you can still be eligible for an HSA. Otherwise, General Flexible Spending Arrangements (FSAs) will probably make you ineligible for an HSA. For example, if your spouse has an FSA for your medical expenses before your HDHP deductible is met, then you cannot have an HSA.

For additional information about HSAs, go to [www.ustreas.gov/offices/public-affairs/hsa/](http://www.ustreas.gov/offices/public-affairs/hsa/) Click *About HSAs* in the upper right side of the web page.

<b>Table 1 Comparison of LDHP to HDHP/HAS</b>		<b>Insurance Polity Monthly Premium</b>	<b>Savings with HDHP</b>	<b>Available for HAS Monthly Investment</b>
Insurance Deductible	\$500	\$800	\$0	\$0
	\$5,000 (HSA with HDHP)	\$500	\$300	\$300