

What is a Health Savings Account (“HSA”)?

A Health Savings Account is an alternative to traditional health insurance; it is a savings product that offers a different way for consumers to pay for their health care. HSAs enable you to pay for current health expenses and save for future qualified medical and retiree health expenses on a tax-free basis.

You must be covered by a High Deductible Health Plan (HDHP) to be able to take advantage of HSAs. An HDHP generally costs less than what traditional health care coverage costs, so the money that you save on insurance can therefore be put into the Health Savings Account.

You own and you control the money in your HSA. Decisions on how to spend the money are made by you without relying on a third party or a health insurer. You will also decide what types of investments to make with the money in the account in order to make it grow.

What Is a “High Deductible Health Plan” (HDHP)?

You must have an HDHP if you want to open an HSA. Sometimes referred to as a “catastrophic” health insurance plan, an HDHP is an inexpensive health insurance plan that generally doesn’t pay for the first several thousand dollars of health care expenses (i.e., your “deductible”) but will generally cover you after that . Of course, your HSA is available to help you pay for the expenses your plan does not cover.

For 2007, in order to qualify to open an HSA, your HDHP minimum deductible must be at least \$1,100 (self-only coverage) or \$2,200 (family coverage). The annual out-of-pocket (including deductibles and co-pays) for 2007 cannot exceed \$5,500 (self-only coverage) or \$11,000 (family coverage). HDHPs can have first dollar coverage (no deductible) for preventive care and apply higher out-of-pocket limits (and co pays & coinsurance) for non-network services.

How can I get a Health Savings Account?

Consumers can sign up for HSAs with banks, credit unions, insurance companies and other approved companies. Your employer may also set up a plan for employees as well.

How much does an HSA cost?

An HSA is not something you purchase; it’s a savings account into which you can deposit money on a tax-preferred basis. The only product you purchase with an HSA is a High Deductible Health Plan, an inexpensive plan that will cover you should your medical expenses exceed the funds you have in your HSA.

Who Can Have an HSA?

Who is eligible for a Health Savings Account?

To be eligible for a Health Savings Account, an individual must be covered by a HSA-qualified High Deductible Health Plan (HDHP) and must not be covered by other health insurance that is not an HDHP. Certain types of insurance are not considered “health insurance” (see below) and will not jeopardize your eligibility for an HSA.

