How a High Deductible Health Plan (HDHP) works with a Health Savings Account (HSA)

High Deductible Health Plan (HDHP)

HDHP are offered through private health insurance/ health plan entities.

HDHP must annually meet IRS guidelines pertaining to minimum deductibles and maximum out of pocket expenses you are responsible for paying.

If the HDHP offers "out of network benefits", the minimum deductible and maximum out of pocket expenses you are responsible for paying are based on "in network" benefits.

All covered health expenses must first be subject to the health plan deductible.

An exception exists for qualified preventative services which may not be subject to the full plan deductible.

A difference in HDHP vs. traditional health plans is before the HDHP pays for covered services on any covered family member, the full family deductible must be satisfied.

HDHP may offer an "embedded deductible" option to allow an individual family member to receive plans benefits prior to the full family deductible being satisfied.

Many HDHP meet minimum creditable coverage standards.

In order to make contributions to a HSA you must be enrolled in a qualified HDHP.

HDHP are commonly purchased by persons for catastrophic health insurance due to their relatively lower premiums.

Health Savings Accounts (HSA)

HSA are offered by financial institutions providing qualified depository services (commercial banks, etc.)

The IRS updates guidelines for maximum contributions & catch up provisions for individuals over 55 annually

HSA are referred to as **triple tax advantaged** as they:

1. Provide tax deductible contributions.
2. Tax free withdrawals for qualified medical expenses.
3. Tax deferred earnings on deposits.

HSA contributions are not income limited & can be made for the prior year until your April filing.

Withdrawals (including earnings) for qualified medical expenses (see IRS Sec 213(d)) are **TAX FREE.** It's recommended you retain appropriate documentation on HSA withdrawals.

Qualified medical expenses withdrawals not covered under your HDHP are also TAX FREE.

You MAY NOT make contributions to a HSA unless you are exclusively covered by HDHP. This exclusion includes Medicare & most FSA & HRA accounts.

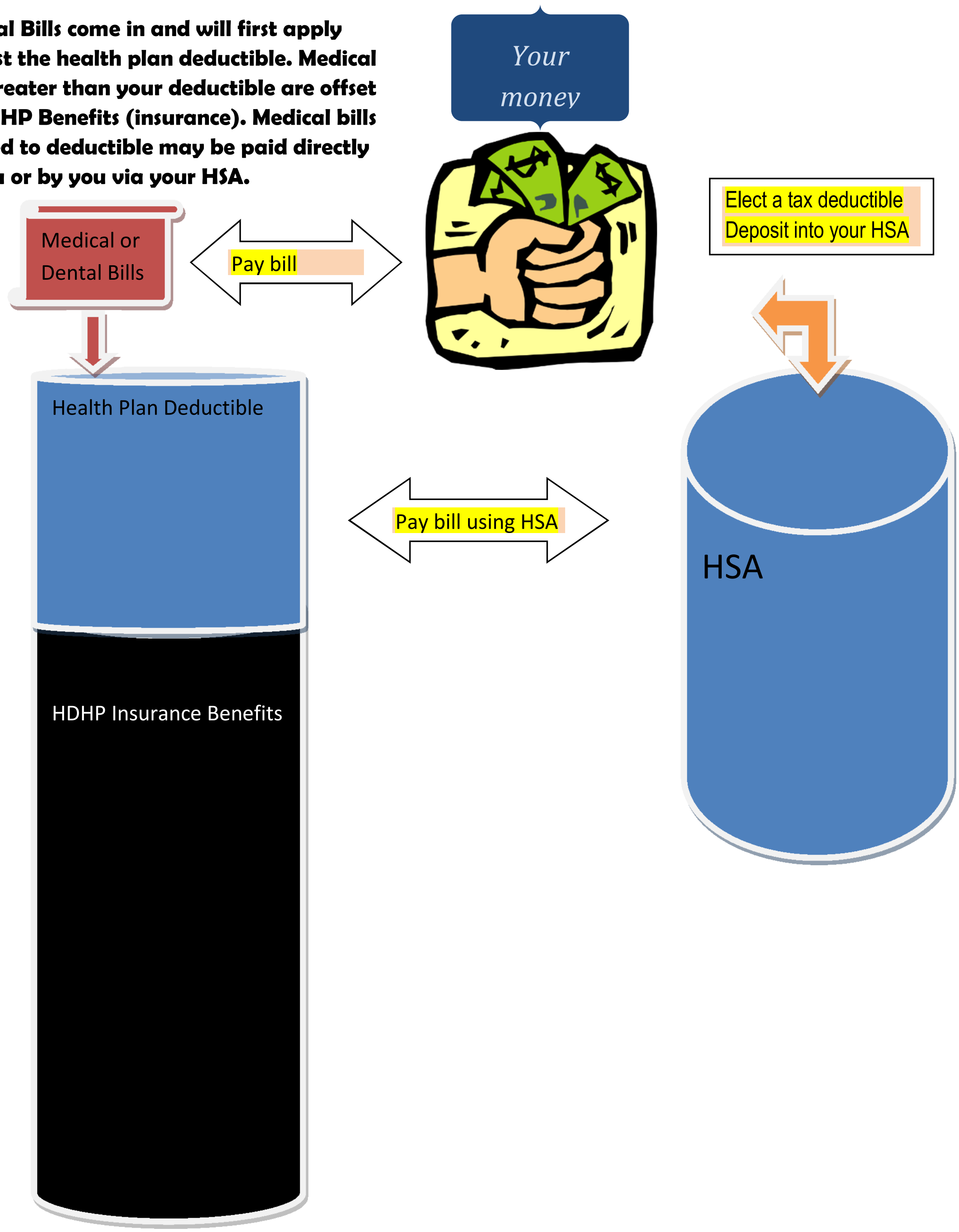
You can make qualified tax free withdrawals from existing HSA even if you are not covered on a HDHP.

Unused balances in an HSA may be rolled over year to year.

Money withdrawn for other than qualified medical expense is taxable & subject to a 20% penalty. The 20% penalty is waived for death, disability and withdrawals after age 65.

HSA appeal to individuals seeing tax favored accounts, who incur routine medical expenses and are comfortable maintaining financial records.

Medical Bills come in and will first apply against the health plan deductible. Medical bills greater than your deductible are offset by HDHP Benefits (insurance). Medical bills applied to deductible may be paid directly by you or by you via your HSA.



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