HSA Fact Sheet

2011 - 2012

What is a Health Savings Account (HSA)?

An HSA is a special bank account owned by an individual where contributions to the account are used to pay for current and future medical expenses.

How do HSAs work?

When combined with a qualified High Deductible Health Plan (HDHP), the High Deductible Health Plan covers serious illness or injury, while the HSA pays for medical expenses until the deductibles are met. The HDHP can be an HMO, PPO, or indemnity plan, as long as it meets the requirements set forth by the Treasury Dept.

What are the rules to determine what is a High Deductible Health Plan (HDHP)?

An HDHP is a health insurance plan with a minimum deductible of:

- $1,200 (individual-only coverage)
- $2,400 (family coverage)

These amounts are indexed for inflation. Annual out-of-pocket (including deductibles and co-pays) cannot exceed:

- $6,050 (individual-only coverage)
- $12,100 (family coverage)

These amounts are also indexed for inflation.

What are some of the major advantages of HSAs?

When compared to other consumer-driven health care options, HSAs have many advantages.

Control

HSAs are owned by the individual (not an employer).

The individual decides:

- whether he or she should contribute
- how much to use for medical expenses
- which medical expenses to pay from the HSA account
- whether to pay for medical expenses from the HSA account or save it for future use
- which company (trust) will hold the HSA account
- what type of investments are used to grow the account

Taxes

Annual contributions reduce the individual's taxable income and qualified medical expenses are never taxed. All of the money set aside in an HSA grows tax deferred until age 65, when funds can be withdrawn for any non-medical purpose at ordinary tax rates, or tax-free when used for medical expenses.

Flexibility

Unlike most other health care options, HSAs roll over from year to year, and because the HSA account belongs to the individual, the account is portable if the individual changes jobs. Availability is not limited by employer size, all amounts in the HSA are fully vested, and unspent balances remain in the account until spent.

Investment growth

Accounts can grow through investment earnings, just like an IRA. HSAs are governed by the same investment options, limitations and restrictions on self-dealing as IRA's.

Who is eligible for HSAs?

Any individual who:

- is covered by an HDHP
- is not covered by other health insurance
- is not enrolled in Medicare
- can't be claimed as a dependent on someone else's tax return (Children cannot establish their own HSAs.)

How much can I contribute to an HSA?

Maximum contributions for HSAs are:

Single coverage

- $3,050 (2011)
- $3,100 (2012)

Family coverage

- $6,150 (2011)
- $6,250 (2012)

Individuals 55 and older who are covered by an HDHP can make additional contributions, referred to as "catch-up" contributions, in anticipation of medical expenses that will not be covered under Medicare, such as a portion of prescription drug costs or Medicare Parts A & B premiums. 2011 and 2012 maximum annual "catch-up" contributions to an HSA are $1,000.

To find out more about HSAs, visit cbia.com/insurance or the U.S. Treasury site at treas.gov.