



Understanding HSAs

Presented by

Arch Brokerage, Inc.



The Problem

- ◆ Rising health care costs
 - Expensive medical technology
 - Aging population
 - Increasing cost of prescription drugs
- ◆ Employees don't understand health care costs.
 - 63% underestimate cost of insurance.
 - 69% overestimate how much they contribute.
 - 57% unsatisfied with coverage.



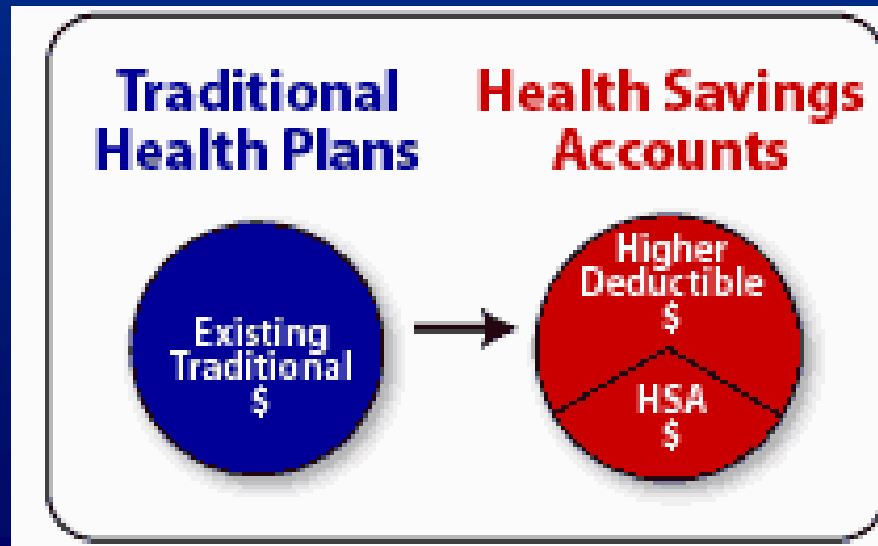
The Solution: Consumer-Driven Health Plans (CDHP)

- ◆ Consumers are ready and willing to be responsible for their own health care decisions.
 - Consumers are more informed and financially independent than ever before.
 - Consumers want more choice in how their benefit dollars are spent.

The Rationale

- ◆ “In IRA-like fashion, investors soon can build tax-sheltered nest eggs to cover out-of-pocket medical costs.”

– Thomas Fogarty, USA Today





HSA Overview

- ◆ HSA money is put in an account owned by an individual to pay for future medical expenses.
- ◆ Must be used in conjunction with a qualified “High Deductible Plan” (HDHP).
 - Insurance that does not cover first dollar medical expenses (preventative care is an exception).



HSA Contribution Rules

- ◆ Contribution to HSA can be made by either the employer or the individual, or both.
 - If made by the individual, it is an “above-the-line” deduction.
 - If made by the employer, it is not taxable to the employee (excluded from income).
- ◆ All contributions are aggregated.

HSA Contributions Amounts

2006 Limits	Deductible	Out-of-Pocket Maximum	Maximum HSA Deposit (2005)
Single Coverage	\$1,050	\$5,250	\$1,050
	\$1,500	\$5,250	\$1,500
	\$2,000	\$5,250	\$2,000
	\$2,500	\$5,250	\$2,500
	\$3,000	\$5,250	\$2,700
Family Coverage	\$2,100	\$10,500	\$2,100
	\$3,000	\$10,500	\$3,000
	\$4,000	\$10,500	\$4,000
	\$5,000	\$10,500	\$5,000
	\$6,000	\$10,500	\$5,400



HSA Distributions

- ◆ Distribution is tax-free if taken for “qualified medical expenses.”
 - Includes over-the-counter drugs
- ◆ Cannot be used to pay for other health insurance except:
 - COBRA coverage.
 - Qualified long-term care insurance.
 - Health plan coverage while receiving unemployment compensation.
 - For individuals eligible for Medicare:
 - Medicare (Part A, Part B, Medicare+Choice)
 - Employee share of premiums for employer-based coverage
 - *Cannot pay Medigap premiums*



What Are Qualified Expenses?

- ◆ Prescription drugs and over-the-counter drugs
- ◆ Doctors visits, lab, x-ray, and other diagnostic and treatment services
- ◆ Qualified long-term care services and long-term care insurance premiums
- ◆ COBRA premiums, and health insurance for those on unemployment compensation
- ◆ Medicare Part A and B premiums, Medicare HMO or Medicare Advantage premiums (but not Medigap)
- ◆ Retiree health expenses for individuals age 65 and older (but retiree health plans would not have to meet the \$1,000/\$2,000 minimum deductible requirements)



More Ownership

- ◆ Accounts are completely portable, regardless of:
 - Whether the individual is employed or not.
 - Which employer the individual works for.
 - Which state an individual moves to.
 - Age or marital status changes.
 - Future medical coverage.



More Choice

- ◆ Accounts are owned by the individual (not the employer).
- ◆ Individual decides:
 - How much to contribute?
 - How much to use for medical expenses?
 - Which medical expenses to pay from the account?
 - Whether to pay for medical expenses from the account or save the account for future use?
 - Which company will hold the account?
 - What type of investments to grow account?



Retirement Savings Potential

- ◆ No “use it or lose it rules” like Flexible Spending Accounts
 - Unspent balances remain in the account and grow tax deferred.
 - Encourages account holders to spend health care dollars more wisely.
 - Encourages valuation of health care services and products.



HSA Advantages for Employer

- ◆ Premiums are greatly reduced with HDHP vs. Traditional Premiums.
- ◆ Employees have more control over health care spending.
- ◆ More concerned consumers can drive down claims and greatly affect future renewals.
- ◆ Can make tax-deductible contributions to fund employees accounts at any chosen amount.

Arch Brokerage HSAs



- ◆ More Ownership!
- ◆ More Choice!
- ◆ More Savings!

If you are interested in HSAs, and would like to view a more detailed presentation, click [here](#), or please [contact us](#) for more information.