

SCMA health watch

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Health Tips from South Carolina's Doctors

UNDERSTANDING HEALTH SAVINGS ACCOUNTS (HSAs)

Information provided by: SCMA Financial Services, Inc.

INTRODUCTION

On December 8, 2003, President Bush signed health savings accounts (HSAs) into law to help Americans have better access to health care. On December 20, 2006, he signed the Health Opportunity Patient Empowerment Act of 2006 which provided new opportunities for HSA participants to build their funds. In his most recent State of the Union address on January 23, the President vowed to continue expanding HSAs to help Americans get affordable, health care coverage. Read on to learn more about HSAs.

HSA Q & A

WHAT IS AN HSA?

A Health Savings Account is an alternative to traditional health insurance. It 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.

WHAT IS A HIGH DEDUCTIBLE HEALTH PLAN (HDHP)?

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. Plans can also pay for "preventive care" services, such as well-child care, immunizations, annual physicals, mammograms and pap smears on a first-

dollar basis (with or without a co-pay).

WHO CAN HAVE AN HSA?

To be eligible, individuals cannot be covered by another first dollar medical plan, cannot be enrolled in Medicare, and cannot be claimed as a dependent on someone else's tax return. You must have a qualified HDHP in order to make a contribution to an HSA.

WHO MAKES CONTRIBUTIONS TO MY HSA?

Contributions to your HSA can be made by you, your employer, or both. However, the total contributions are limited annually. If you make a contribution, you can deduct the contributions (even if you do not itemize deductions) when completing your federal income tax return.

HOW MUCH CAN I CONTRIBUTE?

You can make a contribution to your HSA each year that you are eligible. For 2007, you can contribute up to \$2,850 if you have self-only coverage and \$5,650 if you have family coverage.

WILL AN HSA PAY FOR THE SAME THINGS THAT REGULAR INSURANCE PAYS FOR?

An HSA pays for any "qualified medical expense". You are covered even if the HDHP does not cover it. For example, most health insurance does not cover the cost of over-the-counter medicines, but HSAs can.

CAN I USE THE MONEY IN MY HSA TO PAY FOR MEDICAL CARE FOR A FAMILY MEMBER?

Yes, you may withdraw funds to pay for the qualified medical expenses of yourself, your spouse or a dependent without tax penalty. This is one of the great advantages of HSAs.

HOW CAN I OPEN AN HSA?

Banks, credit unions, insurance companies and other financial institutions are permitted to be trustees or custodians of these accounts. Other financial institutions that handle IRAs or Archer MSAs are also automatically qualified to establish HSAs.

FOR MORE INFORMATION

Visit the US Department of Treasury's webpage at <http://www.treas.gov/offices/public-affairs/hsa/> for more detailed information on health savings accounts.



Did you Know?

The U.S. Department of Treasury projects that under current law 25 to 30 million Americans will be covered by HSAs by the year 2010.

Source: U. S. Department of Treasury

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