



## Is an HSA the right choice for my company?

Health Savings Accounts (HSAs) are a new savings vehicle created by the Medicare Prescription Drug Improvement and Modernization Act of 2003, which became law on December 8, 2003. HSAs offer a way for people to save and invest money to cover medical expenses on a tax-exempt basis.

To take advantage of an HSA, you must:

- Have insurance coverage through a qualifying high-deductible health plan;
- Open an HSA bank account with a qualified trustee;
- Be under age 65 and not be eligible for Medicare benefits;
- *Not* have coverage under another health plan, such as a spouse's plan; and
- *Not* be claimed as a dependent on someone else's tax return.

### The high-deductible health plan

To qualify for an HSA, the health plan must have an annual deductible of at least \$1,200 for single coverage and \$2,400 for family coverage. All covered expense except for preventive care must be subject to the deductible. Qualifying plans can be either individual policies or group health policies.

### The bank account

An HSA is much like an IRA, except that it's for medical expenses. Both individuals and employers can deposit money into the HSA, but the account belongs to the person for whom it is set up, not the employer. Account holders can let their unused balances build up from year to year, invest their account funds, earn investment on the balance, and withdraw money for eligible medical expenses, all tax-free. They can use HSA funds to pay for care while they're meeting their health plan's deductible, or to pay for qualified health-related expenses that aren't covered by their health plan, such as dental care, vision services, and over-the-counter medications. HSA trustees are typically banks, and most offer access to account funds via debit cards and checks. Deposits can usually be made by payroll deduction through the employer, by electronic transfer from another bank account, or by submitting a check and deposit slip.

### HSAs as a group health plan option

HSAs can be an attractive option for some employers when compared to more traditional group health plans. The premium rates for high-deductible health plans are typically much lower than rates for other health plans, and employers can use some of the premium savings as seed money for the employees' savings accounts. By letting employees make their own account contributions through payroll deductions, the employer can save on payroll taxes. And since the account funds belong to the employees, they have a true incentive to manage their health expenses wisely. HSAs offer employees more control over their healthcare dollars than ever before, and they become smart consumers in the process.

PacificSource offers five HSA-eligible group health plans at very attractive rates. We have established a partnership with HSA Bank, a well-established savings and loan HSA trustee. If you're interested in learning more about HSAs or receiving a quote for your company, contact your insurance agent or call us.