Issue 1

Southwestern University

What is a Health Savings Account (HSA)?

A health savings account is a special tax-advantaged account owned by an individual where contributions to the account are to pay for current and future medical expenses.

- A HSA allows individuals to pay for ***current qualified health expenses*** and save for ***future qualified health expenses*** on a tax-free basis.
- An HSA must be used with a High Deductible Health Plan (HDHP).
- You, your employer, or a family member may contribute money to a HSA for you to have money available to pay your health care costs.
- HSA dollars ***accumulate interest*** over time.
- ***Unused funds will be carried over to the next year.***

In order to contribute to a HSA, the *participant*

- ***MUST*** be covered by a high deductible health plan (HDHP).
- ***CANNOT*** be covered by any other medical plan that is not a high deductible plan including Medicare.
- ***CANNOT*** be claimed as a dependent on another person's tax return.

What is a High Deductible Health Plan?

The High Deductible Plan that is coupled with a Health Savings Account is insurance that does not cover first dollar medical expenses such as diagnostic office visits, lab work, and prescriptions until you have met your deductible (NO COPAYS). Preventative care is covered at 100%, with no cost sharing involved.

- The HDHP must have a minimum annual deductible of $1,250 and a maximum out-of-pocket of $6,250 for an individual plan, and a
  - $2,500 deductible and $12,500 maximum out-of-pocket for a family plan.

An individual must satisfy the annual deductible on the HDHP but can use HSA funds to pay this deductible, coinsurance and any other qualified expenses not covered by the health plan.

NEXT :

Eligibility guidelines of a Health Savings Account.