

Health Savings Accounts & High Deductible Health Plans

Definitions

Consumer Driven Health Plan (“CDHP”)

A health insurance plan designed to give you more control over your health care spending. CDHPs incorporate a personal health savings account to pay your health care expenses, while high deductible health insurance protects you from catastrophic medical expenses.

Health Savings Account (“HSA”)

A tax-advantaged personal savings account similar to an IRA but used specifically to pay qualified health care expenses. Unused funds carryover to following year.

Health Care Flexible Spending Account (“Health FSA”)

A personal savings account funded by pre-tax employee contributions used to pay qualified health care expenses. Unused funds are lost at end of the plan year.

High Deductible Health Plan (“HDHP”)

A health insurance plan with lower premiums and higher deductibles than a traditional health insurance plan.

HSA vs. Health FSA

Account Feature	HSA	Health FSA
Pre-tax employee contributions	Yes, if you meet IRS eligibility requirements	Yes
Carryover of unused funds	Yes	No
Cash-out of unused funds	Yes, subject to 20% tax penalty + regular income tax	No
Availability of funds	Current account balance is available on any given day	Annual contribution election is available before it is funded
Investment earnings	Yes	No
2023 contribution limits	Single: \$3,850 Family: \$7,750 Age 55+: additional \$1,000	\$3,050
Portability	Account is yours; funds are accessible even after termination	Participation ends upon termination

Making HSA Contributions

IRS says you are eligible to make HSA contributions *if you*:

1. Are covered by a Qualified HDHP

2. Have no other health insurance coverage

- *Permitted exceptions = dental, vision, long term care, disability, another qualified HDHP*
- Health FSA coverage during the grace period could make you ineligible until April 1
- *Spouse's Health FSA could make you ineligible!*
- Adult dependent's other coverage could make you ineligible

3. Are not enrolled in Medicare

- "Enrolled in Medicare" includes Part A, Part B and/or Part D

AND

4. Cannot be claimed as a dependent on someone else's tax return

****Consult a tax professional for questions about your eligibility to make HSA contributions****

Using Your HSA Funds

Tax-free distributions for qualified health care expenses, including

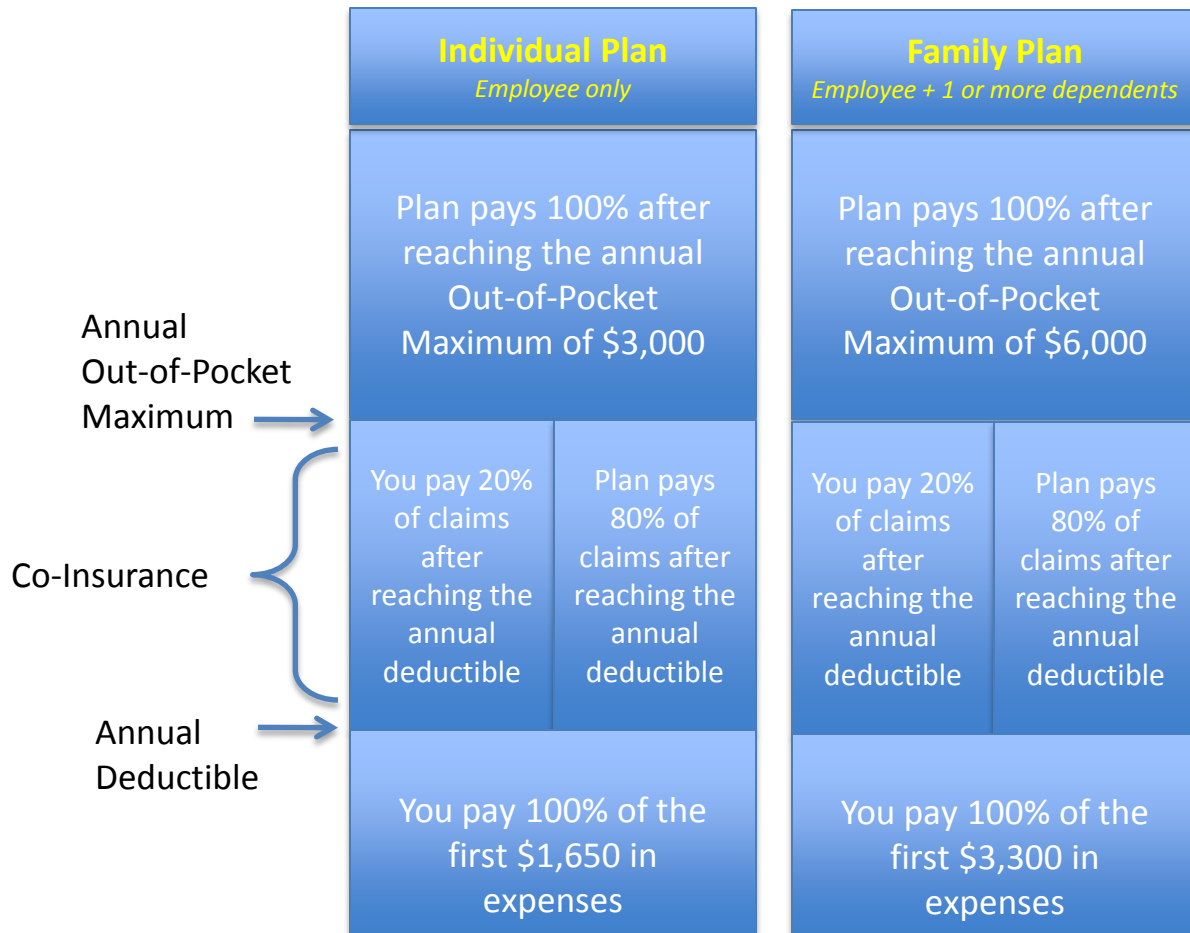
- HDHP deductibles
- HDHP co-insurance
- Prescription drugs, including **prescribed** OTC medications
- Certain insurance premiums – COBRA, Medicare, long term care
- *See IRS Publications 502 & 969 for more details*

Expenses incurred before you establish your HSA **do not qualify**

- State law determines when the HSA is established

HSA distributions for non-qualified expenses **are taxable**

How the HDHP Works – In Network



Preventive Care

- Plan pays 100%, not subject to deductible

Prescription Drugs

- Expenses included in annual deductible
- You pay \$15/\$40/\$75 co-payments after reaching deductible

HSA

- Funds can be used to pay deductibles, co-insurance and drug co-payments

Provider & Facility Networks

- Same as Medical Mutual PPO

How the HDHP Works – Out of Network

Annual Deductibles

- Individual Plan = \$3,000
- Family Plan = \$6,000

Co-Insurance

- Plan pays 60%
- You pay 40%

Annual Out of Pocket Maximums

- Individual Plan = \$6,000
- Family coverage = \$12,000