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

<table>
<thead>
<tr>
<th>Account Feature</th>
<th>HSA</th>
<th>Health FSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-tax employee contributions</td>
<td>Yes, if you meet IRS eligibility requirements</td>
<td>Yes</td>
</tr>
<tr>
<td>Carryover of unused funds</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Cash-out of unused funds</td>
<td>Yes, subject to 20% tax penalty + regular income tax</td>
<td>No</td>
</tr>
<tr>
<td>Availability of funds</td>
<td>Current account balance is available on any given day</td>
<td>Annual contribution election is available before it is funded</td>
</tr>
<tr>
<td>Investment earnings</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>
| 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

**Individual Plan**  
*Employee only*

- Plan pays 100% after reaching the annual Out-of-Pocket Maximum of $3,000
- You pay 20% of claims after reaching the annual deductible
- You pay 100% of the first $1,650 in expenses

**Family Plan**  
*Employee + 1 or more dependents*

- Plan pays 100% after reaching the annual Out-of-Pocket Maximum of $6,000
- You pay 20% of claims after reaching the annual deductible
- You pay 100% of the first $3,300 in expenses

**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