

Member Advantage

By Karl Johnson, Chief Operating Officer WBA Insurance Services

What is a Health Savings Account?

A Health Savings Account (HSA) is a federally approved bank savings account that is to be used exclusively in conjunction with a qualified HSA medical insurance plan to pay medical expenses. It is used for paying qualified medical expenses for yourself, your spouse and your dependents. An eligible individual may open an HSA bank account, make federal pre-tax deposit contributions into this account for the purpose of make *tax-free* withdrawals to pay for qualified medical expenses.

Consult a licensed professional for tax advice. For a complete list of qualified medical services, consult IRS publication 502, "Medical and Dental Expenses" on the Internal Revenue Service website at www.irs.gov. Individuals are responsible for compliance of HSA spending regulations.

A few of the advantages of an HSA include: The account is yours -- withdraw money when you need it.

Your HSA account rolls-over every year, so you do not lose any of your money, if you do not use it!

It can also be used later in life to cover medical expenses, including Medicare Premium Payments

The total amount of HSA deposits will reduce your overall federal tax liability – you will pay less federal tax because deposits are pre-tax.

Your HSA account can earn interest.

Are there any qualifications to opening an Health Savings Account?

Yes, In order to open a Health Savings Account (HSA) you must first be covered by an HSA-qualified health insurance plan.

The HSA-qualified health insurance plan & the Health Savings Account work together!

Your HSA account

Use your HSA tax free account to pay your medical expenses.

If you use your HSA money for a non-qualified expense, such as; a meal, a lamp, a car, a boat, or the like - you can be charged a 10% penalty, plus the federal taxes on the money spent on non-qualified medical expenses.

After the age of 65, if you use any of your HSA money for non-qualified expenses, you only have to pay the federal income tax on the amount used for that purchase. There is no 10% penalty on the non-qualified expense.

IRS Requirements for 2009

	Single Plan	Family Plan
Minimum Deductible:	\$1,150	\$2,300
Maximum Out-of-Pocket:	\$5,800	\$11,600
Contribution Limit:	\$3,000	\$5,950

Typical HSA Eligible Plan

Family of 4 in a car accident

\$6,000 Family Deductible – 100%* / 70%** Coinsurance

This HSA-qualified plan pays 100% after the Deductible has been met.

Medical bill: \$50,000.00

	Dad	Mom	Child	Child
Deductible:	\$6,000	\$0	\$0	\$0
Co-insurance:	\$0	\$0	\$0	\$0
Rx:	\$0	\$0	\$0	\$0
Total Family Cost:	\$6,000.00			

Now that the \$6,000 Family Deductible has been met any additional medical services will be met in accordance with your plan for the balance of the policy year.

*In-network, **Out of network

Bottom line:

Total family savings of \$7,000

For more information on HSA plans please contact Karl Johnson, COO WBA Insurance Services; 888-678-3015 or by email: kjohnson@wisbuild.org