



Health Savings Account (HSA) Basics



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Health Savings Account Basics (HSA)

When considering a high deductible health plan with a health savings account, you may have heard a lot of terms tossed around, but don't know what they really mean. Here are some common definitions to know to better understand the basics of this type of plan.



1. High Deductible Health Plan (HDHP)

This type of plan has a high deductible, but a lower monthly premium, than a traditional health plan.

Premium

The amount you must pay for your health insurance policy each pay period.

Deductible

The amount you pay out of your pocket for covered health care services before your insurance plan starts to pay.

2. Health Savings Account (HSA)

An HSA is an account that you can use to pay for qualified medical expenses that are subject to your deductible.

3 things to know about HSAs

1. HSAs can only be offered with an HDHP.
2. You own the account, but both you and your employer can contribute funds to it.
3. An HSA has triple tax advantages.

3. Triple Tax Advantages

HSAs have triple tax advantages. This means that you will save money on your health care expenses.

What's meant by triple tax?

- You can contribute pre-tax money, usually deducted right from your paycheck
- Your funds accrue interest and investment earnings tax-free
- You can withdraw funds tax-free for qualified medical expenses

4. Qualified Medical Expenses

You can use your HSA funds to pay for your out- of-pocket medical expenses.

What are some examples?

- Most medical care that is subject to your deductible (co-insurance, doctor visits, etc.)
- Prescription drugs
- Dental and Vision care

5. Ineligible Medical Expenses

Not all expenses are considered qualified medical expenses. You are unable to use your HSA funds for these expenses.

Some examples of ineligible expenses include:

- Insurance premiums
- Over-the-counter drugs, unless you have a prescription from a physician
- Surgery for cosmetic reasons
- Expenses covered by another insurance plan
- General health items such as tissues, toiletries, and hand sanitizer