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Let's eliminate the confusion behind HSAs once and for all.

An in-depth look at the hidden financial values of an HSA that your employees are most likely missing out on.

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The hidden values of a Health Savings Account (HSA)

An HSA is a savings account that is paired with a qualified High-Deductible Health Plan (HDHP) to cover eligible medical expenses not covered by the health plan.

HSAs are a great way for consumers to pay for medical expenses and save for the future. Thanks to new Medicare Reform laws, most individuals with a qualified High-Deductible Health Plan can open an HSA and start taking more control over their healthcare dollars.

You can use your HSA funds to pay for:

- Medical expenses before you meet your deductible
- Services not covered by your health plan
- COBRA coverage during periods of unemployment
- Medical expenses after retirement
- Long-term care expenses

Think of an HSA as a savings plan for health care you'll need today, tomorrow and into the future. It works like a regular bank account, but you don't pay federal income tax on the money you deposit. When you use your HSA money to pay for qualified medical expenses, you won't pay income taxes on the money, either. You can even build your savings into a nest egg for retirement! Employees can participate in a HSA and a limited flexible spending account (FSA) at the same time.

Unlike a flexible spending account (FSA), your savings grow from year to year. There's no FSA "use it or lose it" rule. The money is there when you need it. And it's yours to keep.

Simply put, an HSA helps you plan, save and pay for health care!

Your HSA has financially rewarding pre-tax benefits:

- Money deposited is federal income tax-free
- Your savings grow tax-free
- Withdrawals made for qualifying expenses are also income tax-free

You own it!

The money belongs to you, even deposits made by others, such as an employer or family member. You keep it, even if you change jobs, change health plans, or retire!

Anyone can contribute!

You, your employer, a friend or a loved one. There are no federal or state restrictions regarding who can or cannot add money into your HSA account.

Here are a few important and helpful things to know about having an HSA

It's not just for doctor visits!

You can use your HSA to pay for medical needs such as eyeglasses, hearing aids and qualified prescriptions. You can even use your savings to pay for other kinds of health insurance, such as COBRA, long-term care and any health plan coverage you have while receiving unemployment compensation. When you turn 65, you can use HSA savings to pay for any tax-deductible health insurance (except for Medicare supplemental insurance).

You can invest it!

Once your balance reaches the designated investment threshold,* which is typically around $2,000, you can begin investing in mutual funds. If you earn money on your investments, you don't pay income tax on that money, either.

You can save for the future!

By saving in an HSA, you can be ready for expenses due to illness or accident. And, after you turn 65 or become entitled to Medicare benefits, you may withdraw money from your HSA for expenses that are not qualified medical expenses which are subject to standard income taxes, without penalty. Save as much as you can now, and you could have a nice nest egg when you retire.

When should you establish an HSA?

Open your HSA as soon as you are eligible to do so, and once you can afford to make continued annual or monthly deposits. That way you can take full advantage of what it offers and use your HSA to pay, or reimburse yourself, for qualified medical expenses.

Please note...

You cannot use your HSA to reimburse yourself for medical expenses you had before you established your account.

Investments are NOT FDIC Insured, nor are they guaranteed by your bank and may lose value depending on financial variables.

36%

of full-time employees (ages 20-26) say making their benefits selections is more of a guessing game than an educated guess.

44%

of workers say they have altered use of medical care, such as skipping doctor visits, x-rays, blood tests and surgical procedures to save money.

57%

of eligible employees do not enroll in an HSA, nor do they know enough about the value they provide. Of these workers, roughly 68% say they could not afford their medical bills if faced with an unexpected accident, illness or injury.

88%

of employees that do not have an HSA soon wish they did after learning about the financial values that they provide. Especially when faced with medical bills they cannot afford due to the rising costs of healthcare.

With an HSA, you have more control, ownership and stability when it comes to your healthcare.

Employers who offer a High-Deductible Health Plan (HDHP) can add an HSA benefit to help employees set aside money on a pretax basis to pay for current healthcare expenses and save for those in retirement when the cost of medical care is typically even higher.

An HSA works with your High Deductible Health Plan (HDHP) and lets you set aside a portion of your paycheck - **before taxes** - into a designated savings account. Use your HSA funds to help pay for medical expenses that aren't covered by your HDHP. Any leftover funds can be transfered into the HSA Investment Account year after year for future growth!

Every $1 you contribute to your HSA reduces your taxable income by $1.

Unlike a Healthcare FSA, HSAs have no limit on carryovers or when the funds may be used. With no risk of forfeiture, employees may contribute the maximum allowed each year, worry-free. Unused funds roll into the next year and any amount over $2000 may be invested into top-rated mutual funds for long-term appreciation and tax-free earnings on interest.

Similar to a ROTH IRA, the HSA grows tax-free, but with the added benefit of a current pretax deduction. All HSA funds belong to the account owner *(employee)* and are held by a custodial bank until a disbursement is requested.

You are the account-owner of an HSA, not your employer. The account and its funds stay with you, even if you change jobs. The account also stays active if you're no longer covered by an HDHP. In addition, your HSA funds never expire and may be used for expenses incurred any year beyond enrollment.

YES... you can even pay for common, every day healthcare expenses such as:

- Deductibles
- Copays
- Coinsurance
- Medical care
- Prescriptions
- Vaccinations
- Dental care services
- Orthodontic care services
- Eye exams
- Prescription eye wear

Possible savings for individuals with an HSA

Health Savings Account Balances (Assumes a $2,000 Deductible and Deposit Each Yr.)

Account balance after x years	Age of head of household starting at 25	After individual medical expenses of $1,000 ea. yr.	After individual medical expenses of $500 ea. yr.	Zero individual medical expenses
5 Years	30	$5,802	$8,703	$11,604
10 Years	35	$13,207	$19,810	$26,414
15 Years	40	$22,657	$33,986	$44,315
20 Years	45	$34,719	$52,079	$69,439
25 Years	50	$50,113	$75,170	$100,277
30 Years	55	$69,761	$104,641	$139,522
35 Years	60	$94,836	$142,254	$189,673
40 Years	65	$126,840	$190,260	$253,680

Assumes 5% interest per year, and 100% of a $2,000 deductible is deposited each year. One Medical Savings Account insurer has paid 5% interest on balances in their Medical Savings Accounts since January 1, 1997 - and has not changed their interest rate since 1/1/97.

Source: The HSA Coalition, 2004

Possible savings for families with an HSA

Health Savings Account Balances (Assumes a $4,000 Deductible and Deposit Each Yr.)

Account balance after x years	Age of head of household starting at 25	After individual medical expenses of $1,000 ea. yr.	After individual medical expenses of $500 ea. yr.	Zero individual medical expenses
5 Years	35	$17,406	$20,307	$23,208
10 Years	40	$39,620	$46,224	$52,827
15 Years	45	$67,972	$79,301	$90,630
20 Years	50	$104,158	$121,517	$138,877
25 Years	55	$150,340	$175,397	$200,454
30 Years	60	$209,282	$244,163	$279,043
35 Years	65	$284,509	$331,927	$379,345

Assumes 5% interest per year, and 100% of a $4,000 deductible is deposited each year. One Medical Savings Account insurer has paid 5% interest on balances in their Medical Savings Accounts since January 1, 1997 - and has not changed their interest rate since 1/1/97.

Source: The HSA Coalition, 2004

Health Savings Account contribution limits

IRS requirements for 2023

	Single Plan	Family Plan
Minimum deductible	$1,500	$3,000
Maximum out-of-pocket	$7,500	$15,000
Contribution limit	$3,850	$7,750
Catch-up contribution (55 or older)	$1,000	$1,000

* If a spouse is also 55 or older, a second HSA must be established and a second contribution of $1,000 could be made to that account.

IRS requirements for 2022

	Single Plan	Family Plan
Minimum deductible	$1,400	$2,800
Maximum out-of-pocket	$7,050	$14,100
Contribution limit	$3,650	$7,300
Catch-up contribution (55 or older)	$1,000	$1,000

* If a spouse is also 55 or older, a second HSA must be established and a second contribution of $1,000 could be made to that account.

Effective 1/1/2023, a High-Deductible Health Plan (HDHP) satisfies certain requirements with respect to deductibles and out-of-pocket expenses. **A qualified HDHP must have: a minimum annual self-only coverage deductible of $1,500 and a maximum self-only coverage out-of-pocket should be $7,500, or a minimum annual family coverage deductible of $3,000 and a maximum annual family coverage out-of-pocket of $15,000.**

No amounts are payable from a HDHP until the family has incurred annual covered medical expenses in excess of the minimum annual deductible.

An individual is ineligible for an HSA if they are also covered by another health plan (individual, spouse, dependent) that is not an HDHP.

HSAs use pre-tax dollars.

HSA funds can grow tax-free in a variety of investment vehicles: Passbook savings, mutual funds, or stocks.

Qualified HSA deductions

- Acupuncture
- Ambulance hire
- Artificial limbs and teeth
- Automobile modification
- Braille books and magazines
- Chiropodist (expense)
- Chiropractor
- Christian Science Practitioner - office visits
- Clinic
- Coinsurance
- Contact lenses and solutions
- Copays
- Crutches, slings
- Deductibles
- Dentist, dental care services
- Diagnosis
- Diathermy
- Doctor
- Drugs - (prescription and some prescribed OTC medications)
- Examination, physical
- Eye examination
- Eyeglasses
- Family counseling - (excluding marriage counseling)
- Gynecologist
- Halfway house residency
- Hearing devices
- Hospital, including hosiptal bills
- Iron lung, operating cost
- Laboratory
- Laetrile - when prescribed by doctor
- Laser eye surgery
- Lifetime care at medical facility
- Medical care
- Midwife
- Nurse
- Lip reading lessons for the deaf
- Nursing care
- Obstetrical expense
- Obstetrician
- Oculist
- Operation
- Ophthalmologist
- Optician
- Optometrist
- Oral surgery
- Orthodontic care services
- Osteopath
- Oxygen equipment
- Pediatrician
- Physician
- Physiotherapist
- Podiatrist
- Practical nurse
- Prescription eye wear
- Prescriptions
- Psychiatrist
- Psychoanalyst
- Psychologist
- Psychopathologist
- Rental of medical or healing equipment (requires doctor's note)
- Sanitarium
- Seeing eye dog
- Special education
- Special television that provides deaf individuals with display of audio portion of television programs
- Specialist
- Surgeon (when prescribed as treatment)
- Telephone for deaf
- Transportation expense relative to illness (including doctor's office)
- Vaccinations
- X-ray

For a complete list of eligible expenses, see IRS Publications 502 & 969 at irs.gov

We're not done yet...

Eligibility rules do apply...

To deposit money into an HSA, **you must be enrolled in an HSA-eligible health plan.** You are eligible if:

- You are covered under an eligible high-deductible health plan (HDHP).
- You are not enrolled in Medicare.
- You cannot be claimed as a dependent on someone else's tax return.
- You are covered by no other health coverage, unless it is permissible coverage like vision or dental.

Some other restrictions apply. Please consult your tax, benefits or financial advisor.

If you switch to a health plan that makes you ineligible to continue depositing money in an HSA, you may continue to use the money in your account for qualified medical expenses, but you can no longer make deposits.

Contribution limits are determined every year by the IRS. You can make contributions all the way up to the tax-filing deadline *(usually April 15)* and still get tax credit for the previous year.

Money grows in your HSA as you *(or anyone else)* deposit money into it. You can use your debit card or online bill pay for qualified expenses only if you have enough money in the account to cover the cost.

While you are growing your HSA savings, you may pay for a qualified medical expense out of your pocket. You can reimburse yourself from your HSA later, after you have enough money in your account. Remember, though, that you can only reimburse yourself for qualified expenses you had after you establish your HSA.

Keep your receipts! Save all your receipts for qualified medical expenses! If the IRS asks, you must be able to prove that you used your HSA money only to pay or reimburse yourself for qualified medical expenses.

Paying with your HSA is easy.

- Pay your bills for qualified medical expenses online (If your banking institution allows)
- Use your debit card to pay at the pharmacy, doctor's office or elsewhere. You can also order extra cards for covered family members.
- Pay out of pocket and reimburse yourself. You can typically do that online or by withdrawing money with your debit card from any ATM with the MasterCard® logo.

Here is a quick recap of the values an HSA provides:

The big picture in the work place

- Lower current premium cost to employers
- Lower current payroll deduction to employees
- Tax advantaged vehicle to save for the future
- Fosters cost-conscious consumer choices
- Encourage greater transparency in provider pricing / quality reporting

Allowable preventive care benefits

- Annual Health exams
- Prenatal and well childcare
- Child and adult immunizations
- Smoking cessation programs
- Obesity weight loss programs
- Screenings like mammograms, psa tests

Investments

- Passbook savings
- Mutual funds
- Stocks
- Bonds

Advantages to employees

- Pay for dental, vision, long-term care premiums, alternative medicine and covered services
- Contributions and earnings grow tax-free and are portable
- Accounts can accumulate over time in tax-sheltered investments
- Premiums are affordable and tend to be more stable over time

Advantages to employers

- Reduce health care cost
- Promote employee accountability
- Reduce actual spending and rate of growth for their health care benefit plan costs
- Simplify benefit administration through defined contributions
- Can govern how their contributions are used
- Lower the payroll base used to set workers compensation premiums and payroll tax contributions

Connect with Averta Insurance Solutions to get started with setting up your own Health Savings Account services. We will guide you through the necessary steps for your business and your employees to take, to start enjoying the financial values that this amazing investment tool has to bring.

Let's connect in person, or over a quick call, or on a private web meeting. We are eager to present the value that Averta seeks to bring to your business and your employees today.

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