

## High Deductible Health Plans (HDHPs) & Health Savings Accounts (HSAs)

### What is a High Deductible Health Plan?

A High Deductible Health Plan, also known as an "HDHP," is a health insurance plan with lower premiums and higher deductibles than a traditional health insurance plan. It is sometimes referred to as a "catastrophic health insurance plan" or a "consumer-driven health plan." There is a maximum limit on the sum of the annual deductible and out-of-pocket medical expenses that you must pay for covered expenses. Out-of-pocket expenses include copayments and other amounts, but Do not include premiums. In order for a health insurance to qualify as a High Deductible Health Plan, the Internal Revenue Service requires the plan to have specific levels for the deductibles which are listed in the table below.

High Deductible Health Plan		
Type of Plan	2008 Deductible	2009 Deductible
Individual	\$1,100 - \$5,600	\$1,150 - \$5,800
Family	\$2,200 - \$11,200	\$2,300 - \$11,600

An HDHP may provide preventive care benefits without a deductible or with a deductible below the minimum annual deductible. Preventive care includes, but is not limited to, the following.

- ✓ Periodic health evaluations, including tests and diagnostic procedures ordered in connection with routine examinations, such as annual physicals.
- ✓ Routine prenatal and well-child care.
- ✓ Child and adult immunizations.
- ✓ Tobacco cessation programs.
- ✓ Obesity weight-loss programs.
- ✓ Screening services. This includes screening services for the following:



- Cancer.
- Heart and vascular diseases.
- Infectious diseases.
- Mental health conditions.
- Substance abuse.
- Metabolic, nutritional, and endocrine conditions.
- Musculoskeletal disorders.
- Obstetric and gynecological conditions.
- Pediatric conditions.
- Vision and hearing disorders.

### What is a Health Savings Account?

If you have a High Deductible Health Plan and are not on Medicare, you can also open a tax-advantaged medical savings account, called a Health Savings Account. A Health Savings Account, also known as an "HSA," is an account that you control in a financial institution, such as a bank. You can use that account to cover your out-of-pocket healthcare expenses, including the deductible amounts for your High Deductible Health Plan. You can also use that account for other health care expenses unrelated to the High Deductible Health Plan, such as Long Term Care Insurance premiums. The Health Savings Account deposit limits are listed below and include an additional "catch-up" amount for those who are 55 years of age or older.

Health Savings Account		
Type of Plan	2008 Deposit Limit	2009 Deposit Limit
Individual	\$2,900	\$3,000
Family	\$5,800	\$5,950
"Catch-up" if ≥ 55 yrs. old	\$900	\$1,000



One nice feature of a Health Savings Account is that the money goes into the account "pre-tax". If you use the Health Savings Account to pay for qualified medical expenses, that money is tax free coming out of the account. Withdrawals for non-medical expenses incur penalties and taxes. A Health Savings Account is not like some other medical savings accounts that have the "use it or lose it" feature of needing to spend all of the money each year. Unused money in a Health Savings Account accumulates interest, tax free and "rolls over" from year to year. That money can be used in the future for medical expenses. Therefore, a Health Savings Account can be an effective way to save money, tax free, for future medical expenses. For more information go to our free Health Savings Account Information and FAQ's.

**What are the benefits of an HSA?** You may enjoy several benefits from having an HSA.

- ✓ You can claim a tax deduction for contributions you, or someone other than your employer, make to your HSA even if you do not itemize your deductions on Form 1040.
- ✓ Contributions to your HSA made by your employer (including contributions made through a cafeteria plan) may be excluded from your gross income.
- ✓ The contributions remain in your account from year to year until you use them.
- ✓ The interest or other earnings on the assets in the account are tax free.
- ✓ Distributions are tax free if you pay "qualified medical expenses".
- ✓ An HSA is "portable" so it stays with you if you change employers or leave the work force.

To be an eligible individual and qualify for an HSA, you must meet the following requirements.

- ✓ You have a high deductible health plan (HDHP), described later, on the first day of the month.
- ✓ You have no other health coverage.
- ✓ You are not enrolled in Medicare.
- ✓ You cannot be claimed as a dependent on someone else's 2007 tax return.



**FAQ's about High Deductible Health Plans (HDHP)  
& Health Savings Accounts (HSA)**

**Q: Can I open a Health Savings Account (HSA) if I do not have a High Deductible Health Plan (HDHP)?**

**A:** No. The Internal Revenue Service requires that you have a HDHP in order to be eligible to open a HSA.

**Q: What happens to my HSA if, in the future, I get new health insurance that is not an HDHP?**

**A:** You will no longer be able to deposit new money into your HSA if you change your health insurance to a plan that is not a HDHP. If you have money remaining in the HSA, after that time, you will still be able to use it for approved medical expenses or allow it to remain on deposit while getting the tax free advantages of the account.

**Q: How can I find an HDHP?**

**A:** The next time you have an open enrollment period for health insurance, through your employer, look to see if a HDHP is offered and enroll in that plan if the plan meets your needs for health insurance. If you are shopping for individual health insurance, for those who are retired before the age of 65 or are self employed, look at HDHPs in that process. Take a look at Tool # 7, Shopping for and Individual Health Insurance Policy which is available *free* for you to download from our GOODCARE Tool Kit. We, at GOODCARE.com, can also help you shop for a HDHP. **Feel free to call us, toll free at 866-696-6543 for a consultation!**

**Q: If I enroll in an HSA and my employer does not participate in the program, how do I deposit “pre-tax” dollars to the HSA account?**

**A:** You can open a HSA account at a financial institution like a bank. You can ask your local bank or search on the Internet for an HSA with an established financial institution. You will deposit the money in an HSA account that you can deposit “pre-tax” dollars in and use tax free for medical expenses.



**Q: Does an HSA require a lot of time on paper work?**

**A:** An HSA is easier to use than you might think. Your HSA account will have a debit card provided with that account. You use that debit card, like you would use any debit card, to make approved medical purchases. Your HSA financial institution will send you an IRS “1099” form at the end of the year categorizing all of the activity in the account, including approved and non-approved activity. You will include that IRS “1099” form in your tax return.

**Q: How do I make sure that my HSA money is properly credited on my tax return?**

**A:** Make sure that you include the information from the IRS “1099” form sent to you by the financial institution for your HSA on your tax return. You then complete an IRS “8889” form and attach that to your tax return (the IRS “1040” form). You may also want to consult a tax preparer to help with this process.

**Q: What would my savings be if I used the Health Savings Account to pay for my Long-Term Care Insurance?**

**A:** Long Term Care insurance premiums may be paid out of your HSA account. Therefore, you are paying those premiums with “pre-tax” dollars. That means that you are saving the amount of the tax you would have paid on the money for the Long Term Care insurance premium by using “pre-tax” or tax free dollars.

**Q: I am thinking of getting a High Deductible Health Plan for myself and my family. While the premium is lower than the health insurance I have had, I am concerned about paying so much out of my pocket for the deductible. What should I do?**

**A:** Many people find that they save enough money on the High Deductible Health Plan premiums to fully fund a Health Savings Account to use pay for those deductibles. For example, if you select a High Deductible Health Plan with a \$5,800 annual deductible, you can then open a Health Savings Account and deposit \$5,800.



**Q: What happens to my Health Savings Account once I am 65 years old and still have money in that account?**

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**A:** Once you are 65 years old, you can no longer deposit new money into the account. But, if you have money in your account, it will continue to grow tax free and you can continue to use that money, tax free, for healthcare expenses. You can also use that money for non-healthcare expenses and pay no penalty or taxes on that money when it is withdrawn once you are 65 years of age or older.

**For more free tools and answers to all your healthcare questions, visit the [GOODCARE.com website](http://GOODCARE.com).**

