

# Health Savings Account (HSA) Basics:

## 6 Terms You Should Know

When considering a high deductible health plan with a health savings account, you may have heard a bunch 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 higher deductible, but a lower monthly premium, than a traditional health plan.

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### **Premium**

The amount you have to pay for your health insurance policy.

### **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.

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### 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'll save money on your health care expenses.

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### What's meant by triple tax?

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

# 4

## Qualified Medical Expenses

Expenses that you may have primarily to treat or prevent a physical or mental defect or illness. You can pay for these expenses with your HSA.

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### What are some examples?

- Most medical care that is subject to your deductible (co-pays, doctor visits, etc.)
- Prescription drugs
- Dental and vision care
- Insulin (with or without a prescription)
- Select insurance premiums

# 5

## Ineligible Medical Expenses

Expenses that you may have that are not considered qualified medical expenses. You are unable to use your HSA for these expenses.

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### What are some examples?

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

# 6

## HSA Contribution Limits

Each year, the IRS sets limits on how much you can contribute to your HSA.

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### The 2018 limits are:

\$3,450 for individual coverage

\$6,900 for family coverage

**NOTE:** These limits are for the total funds contributed, which include your contributions, your company's contributions and any other contributions.