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HOW A HEALTH SAVINGS ACCOUNT CAN HELP YOU

Health Savings Accounts or HSAs are typically linked to high deductible health plans. HSAs both lower and stabilize medical insurance premiums, which force employees to become more informed health care consumers. They are used to pay uncovered health plan expenses. HSA accounts are funded with the untaxed money from an employer, an employee or both employer and employee, and payments of qualified expenses are tax-free. Money in an HSA account belongs to the employee, is portable, and can be rolled over from year to year. Overall, HSAs allows for greater flexibility and discretion over how employees use their health care benefits. HSAs provide traditional medical coverage and a tax-free way to help build savings for future medical expenses. HSA benefits are further detailed as follows:

- 1. THE EMPLOYEE IS IN CONTROL OF HIS/HER HSA** and may use it to pay for any qualified medical expense, as defined by the IRS. There is no need for preauthorization of services, unless explicitly stated by the plan.
- 2. THE EMPLOYEE WILL NOT LOSE HIS/HER HSA BENEFITS** if it is not used because the balance rolls over from year to year. This gives employees the ease of not having to worry about medical expenses for the upcoming year. There are no year-end losses as Health Savings Accounts continue to grow from year to year. Unused HSA dollars remain in the employee's HSA until he /she decides to use them.
- 3. HSAS ARE FULLY PORTABLE.** If employees leave their current employer, they can take the HSA (the account) with them.
- 4. THE PLAN IS VERY FLEXIBLE** and you can pay for items specifically identified by the health insurance plan but on a much broader definition as defined by the IRS. Examples of items you may pay for include dental, vision, orthodontia, and non-prescription, over the counter medicine.
- 5. HAVING AN HSA ACCOUNT WILL HELP EMPLOYEES SAVE TAX DOLLARS.** Contributions to the HSA are made with pre-tax dollars, so this will lower employees' income taxes. Employees may also be eligible to claim contributions on Federal Tax Returns. Additionally, interest and other earnings on Health Savings Account are Tax-Free
- 6. SHELTERED INCOME.** Health Savings Accounts are designed for anyone seeking shelter from unexpected costs that can result from health care. As a viable option to traditional health insurance plans, Health Savings Accounts provide additional safety and security that are not available with the traditional plans.

EMPLOYER CONSIDERATIONS WITH HEALTH SAVINGS ACCOUNTS

Many of the benefits of choosing a Health Savings Account over a traditional health insurance plan can directly affect the bottom line of an employer's benefit budget. For instance, Health Savings Accounts are dependent on a high deductible insurance policy, which theoretically lowers the premium of the employee's plan. All contributions to the Health Savings Account are pre-tax, lowering the gross payroll and reducing the amount of payroll taxes the employer must pay. As an added benefit to employees or an incentive to elect a Health Savings Account over a traditional insurance plan, employers may contribute to employees' Health Savings Accounts. HSAs work best, in our view, when the employer contributes some or perhaps initially all, of the premium savings from the reduced rates the high deductibles produce to the employee's HSA account. This will provide an initial account balance and thus offset some or all of the impact of the higher deductibles that an HSA requires.



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