

# HSA FACT SHEET

## 2019-2020



### WHAT IS A HEALTH SAVINGS ACCOUNT (HSA)?

An HSA is a special bank account owned by an individual where contributions to the account are used to pay for current and future medical expenses.

### HOW DO HSAs WORK?

When combined with a qualified High Deductible Health Plan (HDHP), the HDHP covers serious illness or injury, while the HSA pays for medical expenses until the deductibles are met. The HDHP can be an HMO, PPO, or indemnity plan, as long as it meets the requirements set forth by the Treasury Department.

### HOW MUCH CAN I CONTRIBUTE?

Maximum contributions for HSAs are:

Single coverage: **\$3,500**

Family coverage: **\$7,000**

*\*Individuals 55 and older who are covered by an HDHP can make additional contributions, referred to as “catch-up” contributions, in anticipation of medical expenses that will not be covered under Medicare, such as a portion of prescription drug costs or Medicare Parts A & B premiums. The maximum annual “catch-up” contributions to an HSA are \$1,000*



### WHAT ARE SOME OF THE ADVANTAGES OF HSAs?

When compared to other consumer-driven health care options, HSAs have many advantages:

#### CONTROL

HSAs are owned by the individual (not the employer).

#### TAXES

- Annual contributions reduce the individual’s taxable income and qualified medical expenses are never taxed.
- All of the money set aside in an HSA account grows tax deferred until age 65, when funds can be withdrawn for any non-medical purpose at ordinary tax rates, or tax-free when used for medical expenses.

#### FLEXIBILITY

Unlike most other health care options, HSAs roll over from year to year, and because the HSA account belongs to the individual, the account is portable if the individual changes jobs. Availability is not limited by employer size, all amounts in the HSA are fully vested, and unspent balances remain in the account until spent.

#### INVESTMENT GROWTH

Accounts can grow through investment earnings, just like an IRA. HSAs are governed by the same investment options, limitations and restrictions as self-dealing as IRAs.