

## HSA Basics

We're going to take a shot in the dark here and guess that the healthcare costs at your company are growing out of control. Right on the money? Of course, you're not alone—healthcare costs have been growing at or near double digit rates in this country for more than a decade. Despite “health care reform,” and a 2013 inflation forecast of around 1%, Many Health Research Institutes project healthcare costs to increase from 8.5% in 2011 to 9.0% in 2013. Yikes. And the bad news is that the increases in premiums for traditional health plans show no sign of stopping. If you're like the rest of us, you're scratching your head trying to find a way to control costs.

Enter the Health Savings Account, or HSA. For the first time, there is a healthcare plan that is immediately effective in controlling your company's healthcare budget, while offering employees more control, choice, and savings in their healthcare than ever before. And—to look at the bigger picture—the HSA helps reconnect all us consumers with the true cost of healthcare, which encourages us to develop a smarter, more proactive approach to how we purchase healthcare and manage our own health.

## So, what's an HSA?

An HSA is a tax-advantaged savings account that belongs entirely to the employee. The concept of an HSA is very similar to that of a 401(k) program—both you and your employees can make tax-free contributions to the account, and money in the account can be invested for tax-free earnings.

However, where the HSA differs is how it can be used. HSA dollars can be spent at any time on eligible medical expenses, and these distributions are also tax-free—making the HSA a convenient (and smart!) way to pay for healthcare expenses. Even better—whatever money goes unspent stays in the HSA where it can grow tax-free over the course of a lifetime (unlike the old Flexible Spending Account you may have offered in the past).

You're probably thinking, “Sounds like a great deal for the employee, but how does it save the company money?” Simple. According to the IRS, an HSA must be combined with a low premium High Deductible Health Plan (HDHP). As you might have guessed, these insurance plans feature a higher calendar year deductible than that of a traditional plan in exchange for significantly reduced premiums. While HDHP plan premiums over the past few years have been increasing at a similar rate to traditional plans because the premiums are lower to begin with, so are the annual premium increases. With an HDHP, you can finally control your healthcare costs and better budget for the future.

Together, the HSA and HDHP provide complete coverage for your employees. The HDHP is the safety net coverage in case of serious illness or injury, and the HSA can be used to save for and pay for routine medical expenses incurred before the deductible.

And finally, all HSA Contributions made via a Cafeteria Plan—either the contributions of your employees or contributions you make on their behalf—lower FICA taxes for both parties!

Want to see how much an HSA-based health plan can save you and your employees? Or if you think an HSA Plan might be the perfect solution to out of sight premiums, contact your broker to see if an HSA is a good fit for your company. You go get it and we will administer it.