

HEALTH SAVINGS ACCOUNTS (HSA's): The Basics - 2010

WHAT IS AN HSA?

- ▶ An HSA is a tax-exempt Trust or Custodial Account (**not** an insurance plan). Tax deductible deposits may be made to an HSA by an employer, employee (or both) for "Eligible Individuals". Contributions are deductible on Federal tax returns only (IRS form 8889), not on State returns. *Governor Doyle's office: (608) 266-1212*
 - Owned by individual (employee); earns tax deferred interest, and unused funds accumulate year to year like an IRA.
 - Withdrawals for health related expenses as defined under IRS Sec. 213 and certain premiums (COBRA/ LTC) are **not** taxed.
 - Banks reserve the right to run credit checks on employees before accounts can be established... but not all do.
 - Maximum deposit for 2010 is \$3,050 if covered as a single, \$6,150 if covered as a family (2 or more people).
There is a catch-up provision (\$1,000) for individuals age 55-64.

WHO IS AN "ELIGIBLE INDIVIDUAL"?

- ▶ Must be under age 65 and covered by a "Qualified" High Deductible Health Plan (HDHP); defined as follows:
 - Deductible must be at least \$1,200 (\$2,400 "family"); Out of Pocket Max may be no greater than \$5,950 (\$11,900 "family").
 - Other distinctive features of "Qualified HDHP":
 - May **not** include first-dollar coverage for most Office Visits and/or Prescriptions, i.e., Copays. (Exception: certain preventive/ wellness expenses may be covered at 100% (varies by insurer).
 - Most often, a unique "family" deductible must be fully satisfied (by one or more persons) before other benefits are paid (coinsurance). The carrier may offer a "stacked" deductible, which requires further explanation, but it is less common.
- ▶ At Standard Rates, "Qualified HDHP" may quote at 30-50% less than "traditional" coverage.

Call us for more information on HSA's: 414-276-2700. Also,

- www.nahu.org (click on "Consumer Guide to Health Savings Accounts")
- www.hsabank.com
- www.irs.gov
- www.revenue.wi.gov

WHAT CAN BE PAID FOR WITH HSA MONEY?

Deductible Medical Expenses		
<ul style="list-style-type: none"> • Abdominal supports • Abortion • Acupuncture • Air conditioner (when necessary for relief from difficulty in breathing) • Alcoholism treatment • Ambulance • Anesthetist • Arch supports • Artificial limbs • Autoette (when used for relief of sickness/disability) • Birth Control Pills (by prescription) • Blood tests • Blood transfusions • Braces • Cardiographs • Chiropractor • Christian Science Practitioner • Contact Lenses • Contraceptive devices (by prescription) • Convalescent home (for medical treatment only) • Crutches • Dental Treatment • Dental X-rays • Dentures • Dermatologist • Diagnostic fees • Diathermy • Drug addiction therapy • Drugs (prescription) 	<ul style="list-style-type: none"> • Elastic hosiery (prescription) • Eyeglasses • Fees paid to health institute prescribed by a doctor • FICA and FUTA tax paid for medical care service • Fluoridation unit • Guide dog • Gum treatment • Gynecologist • Healing services • Hearing aids and batteries • Hospital bills • Hydrotherapy • Insulin treatment • Lab tests • Lead paint removal • Legal fees • Lodging (away from home for outpatient care) • Metabolism tests • Neurologist • Nursing (including board and meals) • Obstetrician • Operating room costs • Ophthalmologist • Optician • Optometrist • Oral surgery • Organ transplant (including donor's expenses) • Orthopedic shoes • Orthopedist • Osteopath 	<ul style="list-style-type: none"> • Oxygen and oxygen equipment • Pediatrician • Physician • Physiotherapist • Podiatrist • Postnatal treatments • Practical nurse for medical services • Prenatal care • Prescription medicines • Psychiatrist • Psychoanalyst • Psychologist • Psychotherapy • Radium Therapy • Registered nurse • Special school costs for the handicapped • Spinal fluid test • Splints • Sterilization • Surgeon • Telephone or TV equipment to assist the hard-of-hearing • Therapy equipment • Transportation expenses (relative to health care) • Ultra-violet ray treatment • Vaccines • Vasectomy • Vitamins (if prescribed) • Wheelchair • X-rays
Eligible Over-the-Counter Drugs		
<ul style="list-style-type: none"> • Antacids • Allergy Medications • Pain Relievers • Cold medicine • Anti-diarrhea medicine • Cough drops and throat lozenges 	<ul style="list-style-type: none"> • Sinus Medications and Nasal sprays • Nicotine medications and nasal sprays • Pedialyte • First aid creams • Calamine lotion 	<ul style="list-style-type: none"> • Wart removal medication • Antibiotic ointments • Suppositories and creams for hemorrhoids • Sleep aids • Motion sickness pills
Non-Deductible Medical Expenses		
<ul style="list-style-type: none"> • Advancement payment for services to be rendered next year • Athletic Club membership • Automobile insurance premium allocable to medical coverage • Boarding school fees • Bottled Water • Commuting expenses of a disabled person • Cosmetic surgery and procedures • Cosmetics, hygiene products and similar items • Funeral, cremation, or burial expenses • Health programs offered by resort hotels, health clubs, and gyms • Illegal operations and treatments • Illegally procured drugs • Maternity clothes 	<ul style="list-style-type: none"> • Non-prescription medication • Premiums for life insurance, income protection, disability, loss of limbs, sight or similar benefits • Scientology counseling • Social activities • Special foods and beverages • Specially designed car for the handicapped other than an autoette or special equipment • Stop-smoking programs • Swimming pool • Travel for general health improvement • Tuition and travel expenses a problem child to a particular school • Weight loss programs 	
Ineligible Over-the-Counter Drugs		
<ul style="list-style-type: none"> • Toiletries (including toothpaste) • Acne treatments • Lip balm (including Chapstick or Carmex) • Cosmetics (including face cream and moisturizer) • Suntan lotion • Medicated shampoos and soaps 	<ul style="list-style-type: none"> • Vitamins (daily) • Fiber supplements • Dietary supplements • Weight loss drugs for general well being • Herbs 	

Credit to HSABank

Official Reference: <http://www.irs.gov/pub/irs-pdf/p502.pdf>