

An Introduction to HSAs

Overview

A health savings account (HSA) is a tax-advantaged savings account that you can use for medical expenses. It is paired with a qualifying health insurance plan; typically a high deductible health plan (HDHP). An HDHP is a plan that offers lower monthly premiums in exchange for a higher deductible (the amount you pay out of pocket before insurance kicks in).

Why choose an HSA?

There are several benefits of an HSA, including:

- Your payroll contributions are made with pretax dollars, which may help lower your tax bill.
- The funds in your account do not expire at the end of the year. You can keep them as long as you want to.
- The funds in your account are yours to keep even if you change jobs.
- Using the account is easy. Most HSAs will issue a debit card to you. If you use the debit card to immediately pay for your eligible medical expenses, you won't have to go through a reimbursement process.

Health care costs have escalated at a rapid rate over the past decade. According to Aon Hewitt's Health Value Initiative database, average health care costs topped \$11,000 in 2015, and employees' share of health care costs have increased more than 134% since 2005, going from \$2,001 to \$4,698 in that 10-year period.

The combination of a lower monthly premium payment and an HSA account--designed to help people pay for health care expenses with significant tax savings--is an ideal way to save and pay for health care needs now and in the future.

More flexibility and control

In a traditional health plan, the insurer sets limits for what is covered under the premium. The HSA, in contrast, can be used for a wide range of expenses, limited only by legislation and IRS guidelines. However, it is your responsibility to:

- Ensure that you use your funds for eligible expenses.
- Retain documentation (receipts, prescriptions, etc) about your purchases. These will be necessary in the event that you are audited by the IRS.



Contribution Limits

Please keep in mind that the federal government sets limits on how much you can contribute to an HSA in a tax year.

The table below displays the current HSA contribution limits. Current contribution information can be found on the U.S. Department of Treasury website at [treas.gov](https://www.treas.gov).

Tax Year	Individual Coverage Limits	Family Coverage Limits
2020	\$3,550	\$7,100
2021	\$3,600	\$7,200

Once age 55, members can contribute an additional \$1,000 towards their HSA (either individual and family coverage).

