

# Silicon Benefits Insider

## High Deductible Health Plan (HDHP) & Health Savings Accounts (HSA)

### September 2008

#### What is a High Deductible Health Plan (HDHP)

Sometimes referred to as a "catastrophic" health insurance plan, an HDHP is an inexpensive health insurance plan that generally doesn't pay for the first several thousand dollars of health care expenses, but will generally cover you after that. Of course, your HSA is available to help you pay for the expenses.

#### What is a Health Savings Account (HSA)

You must have an HDHP if you want to open an HSA. A health savings account is a tax-sheltered savings account similar to an IRA, but earmarked for medical expenses. Deposits are 100% tax-deductible. The self-employed (and now almost everyone with an HSA) can easily withdraw by check or debit card to pay routine medical bills with tax-free dollars. Larger medical expenses are covered by a low-cost, High Deductible Health Plan (HDHP). What is not used from the account each year will rollover with interest and continue to grow on a tax-deferred basis.



#### Establishing your HSA Account

Insured banks and Credit Unions are automatically qualified to administer HSA's. Any bank, Credit Union or any other entity that currently meets the IRS standards for being a trustee or custodian for an IRA or Archer Medical Savings Account (MSA) can be an HSA trustee or custodian. The law also allows insurance companies to be HSA trustees or custodians. Be careful some, HSA accounts may have start up and monthly fees.

#### The FACTS Today

- 3.2 Million Individuals are covered by HDHP type insurance plans (according to AHIP)
- \$1,000,000,000 are Invested in HSA's by Americans
- 42% of Individuals or families with incomes below \$50,000 buy HDHP type insurance

#### The Background

Section 1201 of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. No. 108-173, added section 223 to the Internal Revenue Code: to permit eligible individuals to establish Health Savings Accounts (HSAs) for taxable years beginning after December 31, 2003.

HSAs are established to receive tax-favored contributions by or on behalf of eligible individuals. Amounts in an HSA may be accumulated over the years or distributed on a tax-free basis to pay or reimburse qualified medical expenses.

#### Calendar Year 2009 HSA Maximums:

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\$3,000 for an individual with self-only coverage and \$5,950 for family coverage. The catch up contribution for individuals age 55 or older will be \$1,000 per person.

#### Calendar Year 2009 Qualified High Deductible Health Plan Limits:

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The HDHP minimum deductible will remain \$1,150 for self-only

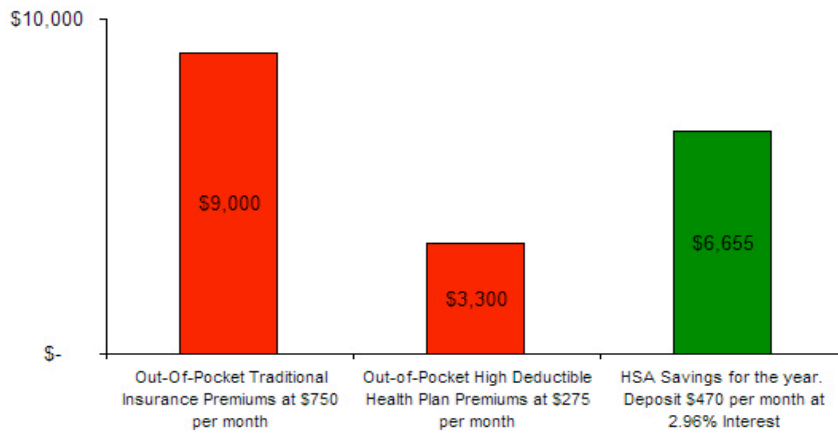
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**The FACTS for The Future**

- 14 Million people by 2010 will have an HSA account
- HSA accounts will increase by 50% in 2010 (1.5 Billion)
- 5.2 million individuals will be covered by HSA products

\$1,150 for self-only coverage and \$2,300 for family coverage. The out-of-pocket maximum for qualified plans will increase slightly to \$5,800 for self-only policies and \$11,600 for family policies.

**Comparison of Savings Rate and Premium Expenses for a Family of 5 using a HSA Plan vs. Traditional Insurance**



We hope that you find this information valuable and we welcome any questions that you may have.



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