

KNOW YOUR BENEFITS.

From Peru Elementary Schools

HSA

10 Reasons to Love a Health Savings Account

With the soaring cost of health care, many consumers are turning to the health savings account (HSA) as a way to combat rising expenses. This financial option is quickly growing in popularity and has the potential to save you a significant amount of money.

The HSA offers consumers a manageable way to take control of their health expenses. It encourages the consumer to make healthier lifestyle choices, better health-care-related financial decisions, and to invest and save money over time for future medical needs. Consumer-driven health care has the power to change a person's financial future while also contributing to positive change in America's health care system as a whole.

Here are 10 reasons to love an HSA:

HSA's fund health care needs

An HSA funds health care expenses in conjunction with a high-deductible health plan (HDHP), a requirement to set up an HSA. The HSA is a savings account that secures pretax dollars in a fund for future

medical needs, and helps meet the deductible of the HDHP, should something happen that takes medical expenses beyond what is affordable.

HSA's use pretax funds

HSA's may be set up through employers or through financial institutions like banks, insurance companies or third-party administrators. Contributions to HSA's through employers are set up as pretax investments. HSA accounts created through financial institutions are designed so that consumers can take an "above-the-line" deduction on personal taxes. One benefit for many is that taxable income is decreased, so fewer taxes need to be paid out.

HSA's come with significant premium savings over traditional insurance plans

High-deductible health plans come with much lower premiums than a traditional plan. This is especially apparent to individuals who pay premiums all year long but don't go to the doctor or use medical services very often. For these people, paying the premium can feel like throwing money out the window. Based on premium savings alone, some HSA consumers see 20 to 40 percent savings each year.

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HSA's offer expanded coverage options for consumers

Unlike typical insurance plans that have a highly negotiated list of covered medical products or services, HSA's allow many additional health-related expenses. Doctors' visits, hospital expenses and prescriptions are covered, but coverage also extends to some over-the-counter drugs with a prescription, dental and vision services, and certain "non-traditional" treatments such as acupuncture and deep tissue massage.

HSA's allow negotiating power to secure discounts on medical services

Because an HSA is a "cash" account, it empowers consumers with an option to negotiate pricing on many medical services, which can lead to substantial savings on medical expenses. For example, standard imaging services can vary widely in price depending on location and payment method. An MRI, for example, can cost



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anywhere from \$400 to \$1,800 for the exact same service, so the price is often negotiable.

HSAs offer control and choices regarding health care needs

With these plans, consumers have unlimited choices regarding services, service providers and medical expenditures. With an HSA, one can go to the doctor of his or her choice.

HSAs are portable

If a consumer switches jobs, the HSA account follows. And, unlike traditional insurance plans, consumers do not lose unused funds in these accounts at the end of the year. The consumer "owns" the account and all the benefits that come from its good management.

HSAs create financial incentives for managing health care expenses

Occasionally there are unfortunate cases where a catastrophic event occurs and emergency medical services are required that do not allow time to "shop around," but the majority of medical transactions are mundane and predictable. Since the HSA is a consumer-controlled cash account, HSA participants are encouraged to consider if a particular expense is worth the cost or if a cheaper alternative (like a generic medication instead of name brand) might work equally well.

HSAs are a powerful tool for retirement investing

Over time, a relatively healthy person or someone who is a decent financial manager can save a good deal of money and investment earnings in an HSA. Consumers who are between the ages of 55 and 65 also have the opportunity to make additional "catch-up" contributions to the fund. After age 65 the account can continue to be used for medical expenses with no penalties, but withdrawals for other purposes are also possible and often face fewer penalties than withdrawals from an IRA.

HSAs create a health-conscious community and put market forces to work that drive down health costs for everyone

Because of the incentive to save and earn money, consumers are encouraged to become educated on health care and medical services to become active participants in the control of their health and wellness. Providers of medical products and services are forced into a healthier competition for consumers. Additionally, there is a personal incentive to make smarter decisions about the use of the health care system, which decreases the likelihood of its abuse. Overall, it becomes a more efficient system and the costs of medical services decrease to meet the new market realities.



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