



NEWS

from the Consumer Health Action Network

February 2006

Health Savings Accounts: Avoiding the Traps

Your employer may be offering you the choice of opening a Health Savings Account (HSA) as a new health insurance option. There are some important things to know about HSAs before you sign up.

HSAs are NOT insurance. An HSA is a bank account that you and your employer can put money into. You can only use the money for qualified medical care expenses. You won't have to pay federal taxes on the money you put in the HSA as long as you only use it for qualified medical expenses.

You must also have a high-deductible health insurance plan to get an HSA. The deductible on the insurance plan must be at least \$1,050 per year for an individual and \$2,100 per year for family coverage. But it may be much higher.

Your plan may cover preventive care outside the deductible. Regular checkups and some other services can be covered completely before you pay

up to your deductible. However, your plan does not have to cover preventive care.

You can put up to your deductible OR \$2,700 per year for an individual or \$5,450 for a family, whichever is lower, into your HSA each year. If you don't spend all the money in a year, it rolls over to use in the future. You can take the account with you if you change jobs.

The IRS decides what qualifies as a medical expense. If you guess wrong and spend money out of the account that the IRS later decides doesn't qualify, you will pay taxes and a 10% penalty on the expense.

Be careful of promised "out of pocket maximums." Lots of medical spending may not count toward those maximums.

You will have to file several new IRS forms and fill out the 1040 long form at tax time each year. Your HSA bank and your employer should provide you with those forms.

If you are confused and you would like more information before making a decision, call us toll-free at 1-888-873-4585.

Call the Governor and your legislators

Several problems have come up in the HUSKY and SAGA programs that the legislature and Governor must fix to get the programs to work well. Call the Governor and your legislators and ask them to:

- **Restore transportation in SAGA**
- **Restore self-declaration of income in HUSKY**
- **Repeal monthly premiums for HUSKY parents**

Numbers for the Governor and legislators are on the reverse of this newsletter. If you have any questions, call us toll-free at 1-888-873-4585.

Si usted prefiere recibir este boletín en Español, llámenos gratis, al 1-888-873-4585.



**Call the Governor and your legislators – ask them to
Fix HUSKY and SAGA**

| | |
|---------------------------|-----------------------|
| Senate Democrats | 1-800-842-1420 |
| Senate Republicans | 1-800-842-1421 |
| House Democrats | 1-800-842-1902 |
| House Republicans | 1-800-842-1423 |
| Governor | 1-800-406-1527 |

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