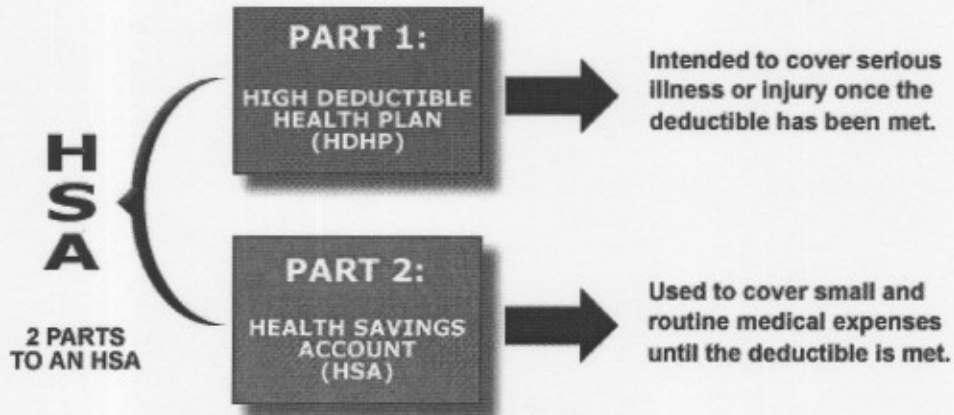


What exactly is an HSA?

Health Savings Accounts (HSAs) are tax-exempt accounts where funds grow to pay for medical expenses. They were created to help give control back to consumers and lower healthcare costs. HSAs provide a financial incentive for consumers to select a High Deductible Health Plan (HDHP). HDHPs have lower monthly premiums than traditional plans. The HSA/HDHP combination provides consumers with more incentive to shop carefully for healthcare services.



An HSA is your account. If you switch jobs, the HSA goes with you. **Your money rolls over every year.** There is no "use it or lose it" requirement.

High Deductible Health Plans

In order to open an HSA, you must have a qualified High Deductible Health Plan. The IRS determines the guidelines for qualified HDHPs. The current IRS guidelines are:

IRS Requirements for 2008		
	Single Plan	Family Plan
Minimum Deductible	\$1,100.00	\$2,200.00
Maximum Out-of-Pocket	\$5,600.00	\$11,200.00

Contributions

When you have a qualifying HDHP, the following contribution guidelines apply.

- Anyone can contribute to your HSA.
- Your contributions are tax deductible.
- If your employer contributes to your HSA, that contribution is done on a pre-tax basis.
- Any pay-roll deductions made through Section 125 for your HSA are also on a pre-tax basis.

- You may contribute the annual maximum amount as determined by the IRS, regardless of your plan's deductible. The maximum for 2007 is \$2,850 for individuals and \$5,650 for families.
- You may contribute the annual maximum amount determined by the IRS, regardless of when your coverage begins, if you maintain coverage for the 12 month period beyond the calendar year in which you first became eligible. The maximum for 2008 is \$2,900 for individuals and \$5,800 for families.
 - Example: if you have individual coverage that begins in November 2007, you may still contribute \$2,850 for 2007 when you maintain coverage through the end of 2008.
- Your employer may roll over funds from your HRA or FSA account once, according to the legislative provisions.
- If your employer allows the FSA extension where 2006 FSA funds can be used until March 15, 2007, you may still contribute to an HSA, if your FSA balance is zero or the FSA balance is transferred to an HSA by January 1st, 2007.

Distributions

Here are some key points about distributions:

- You can use your money tax-free at any time for eligible medical expenses.
- When you turn 65, you can use the money for non-eligible medical expenses. The money is subject to income tax, and there are no IRS penalties.
- If you are under age 65 and use your money for non-eligible medical expenses, you will be subject to income tax and a 10% tax penalty.

Comparing HSAs, HRAs, and FSAs

Question	HSA	HRA	FSA
Do the funds belong to the employee?	YES	NO	YES
Can the money be invested and the employees earn interest?	YES	NO	NO
Can the employees use the funds for things other than medical expenses?	YES	NO	NO
Can the employee take the money with them if they switch employers?	YES	NO	NO
Do the funds rollover year-to-year?	YES	Generally, NO	NO
Who can contribute to the account?	Employers and/or Individuals	Employers	Employee