

Definitions

Deductible: This is the amount you pay toward covered expenses in a calendar and/or plan year before the plan pays benefits.

Coinsurance: This is the percentage of covered expenses the plan pays after the deductible is met (e.g., for an 80/20 plan, the health plan member's coinsurance is 20%).

Point of Service (POS) Plan: Plan allows a choice of receiving services from a provider in or out of network. You receive the highest level of benefits from providers in the network.

Health Maintenance Organization (HMO) Plan: Providers contract with the HMO to provide the most cost-effective medical services to members. Contracted providers must be used for services to be covered. Emergency care and approved out-of-network care are also eligible.

Health Savings Account (HSA): HSAs allow individuals to pay for health expenses and save for future qualified medical expenses on a tax-free basis. To be eligible for an HSA, you must be covered by a High Deductible Health Plan (HDHP), not covered by other health insurance, not eligible for Medicare, and not claimed as a dependent on someone else's tax return.

HSA Basics

What is a Health Savings Account (HSA)?

A Health Savings Account (HSA) is an alternative to traditional health insurance; it is a savings product that offers a different way for you to pay for your health care. HSAs enable you to pay for current health expenses and save for future qualified medical and retiree health expenses on a tax-free basis.

You must be covered by a High Deductible Health Plan (HDHP) to be able to take advantage of an HSA. An HDHP generally costs less than a traditional health plan, so the money you save on insurance premiums can be put into the HSA.

You own and control the money in your HSA. You decide how to spend the money on qualified medical expenses and how to invest the money in your account to make it grow.

What is a High Deductible Health Plan (HDHP)?

You must have an HDHP if you want to open an HSA. An HDHP is a health plan that meets the statutory requirements for annual deductibles and out-of-pocket expenses. The premiums for an HDHP are significantly less

Primary Care Practitioner (PCP): A PCP is the provider you see first for most health problems. He or she may also talk with other doctors and health care providers about your care and refer you to them. In many managed care plans, you must see your primary care practitioner before you see any other health care provider.

In-network: Describes a provider or health care facility that is part of a health plan's network. Insured individuals usually pay less when using an in-network provider.

Out-of-network: Describes a provider or health care facility that is not part of a health plan's network. Insured individuals usually pay more or services may not be covered when using an out-of-network provider.

Pre-Service Authorization: This is the process of receiving written approval from the health plan for certain services or products in advance of the service or product being provided.

Annual Maximum: This is the maximum amount the plan pays for each covered person for covered expenses during a year.

than traditional plans. An HDHP does not normally pay for health care expenses before your entire deductible has been met. Of course, your HSA is available to help you pay for expenses your plan does not cover.

Who is eligible for a Health Savings Account?

To be eligible for an HSA, you must be covered by an HSA-qualified HDHP and must not be covered by other health insurance that is not an HDHP. Auto, dental, vision, disability, and long-term care insurance are not considered "health insurance" and will not jeopardize your eligibility for an HSA.

Can the funds in an HSA be invested?

Yes, you can invest the funds in your HSA. The same types of investments permitted for IRAs are allowed for HSAs, including stocks, bonds, mutual funds, and certificates of deposit (CDs).

Do unused funds in an HSA roll over year after year?

Yes, the unused balance in an HSA automatically rolls over year after year. You won't lose your money if you don't spend it within the year.