



## Health Savings Accounts – How it Works

Over three million Americans have already switched to health savings account (HSA) based health coverage! With HSA plans, you receive quality care while building equity through a tax-advantaged savings account.

### How Does It Work?

There are two components required for you to create an HSA-based health coverage plan, an HSA and a qualified high deductible health plan (HDHP). The HSA is a tax-advantaged account used to pay medical expenses funded by tax-advantaged contributions from you or your employer. The HDHP is the insurance component of the plan. It will provide medical coverage for you and your family in case of emergency, major illness or a high yearly health care cost.

### Will This Increase My Out-of-Pocket Expenses?

Many people worry that switching to an HSA-based plan may end up costing them more money in the long run because they will be responsible for paying the entire cost of medical expenses out of their HSA until they meet their deductible. The truth is the vast majority of people who switch to HSAs save money, no matter what their medical expenses are. If you do not meet your deductible, any money left in your account is yours to keep at the end of the year. It's your money. It remains in the account to fund future medical expenses or act as a retirement nest egg.

Worst Case Scenario with an HSA		
If you have a major medical event, your out-of-pocket costs will most likely be lower with an HSA-based plan. This graph gives you an example of the payments one might make if they hit their deductible with a traditional plan or an HSA plan.		
Expenses	Traditional Plan	HSA-based Plan
Co-Pay \$350		\$0
Deductible \$500		\$5,000
Additional Out-of-Pocket (Co-Insurance)	\$1,000	\$0
Total Costs	\$1,850	\$5,000
Money needed from paycheck*	\$2,400	NA
Minus HSA Deposits (Premium Savings)	\$0	\$3,000
<b>Total Out-of-Pocket Costs</b>	<b>\$2,400</b>	<b>\$2,400</b>
*To pay \$2,400 you are using money that had taxes taken out. You had to earn about 30 percent more than that to pay for the expenses (7.5 percent FICA, 15 percent Federal and 6 percent state).		