



# Health Savings Accounts (HSAs)

## A Quick Guide . . .

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### Pre-Tax Contributions and Tax-Free Accumulation of Funds

*Health Savings Accounts provide both Employers and Employees an innovative way to solve the problem of rising health care costs.*

*At Trust Administrators, we offer a comprehensive, seamless platform for administering HSAs, Flexible Spending Accounts (FSAs) and Health Reimbursement Arrangements (HRAs).*

### **HSAs Offer A Win-Win Solution Now And For The Future**

Health Savings Accounts (HSAs) were created by the Medicare Prescription Drug, Improvement and Modernization Act of 2003 adding section 223 to the Internal Revenue Code effective January 1, 2004. These individually owned accounts act like medical IRAs. HSAs allow individuals to pay for "qualified" health care expenses now using pre-tax contributions and throughout their lifetime on a "Tax-Free" basis.

#### **Employer Benefits**

- Lower premiums than traditional PPOs or HMOs. Employers may contribute.
- Reduce payroll taxes and workers' compensation costs when integrated with a cafeteria plan.
- Curb the on-going problem of shifting premiums to employees. Promote employee involvement with health care decisions.
- Provide employees with a savings opportunity for future health care expenses.
- TAI administers plans from Aetna, Blue Cross & Blue Shield, California Choice, CIGNA, Guardian, Humana, Kaiser, Pacific Advantage, Principal, Nationwide, United Health Care and others.

#### **Employee Benefits**

- Affordable premiums and more control over health care dollars.
- Save on income taxes by making Tax-Free contributions through a section 125 cafeteria plan.
- Combine with an FSA using the FSA for vision or dental expenses as an example, saving the HSA funds for future expenses.
- Account is portable, stays with owner.
- Funds can be invested with banks or mutual funds such as Fidelity and Vanguard.

## Brokers and Consultants

- Offer TAI as the single source for all consumer-driven health care services: HSAs, FSAs and HRAs.
- Offer HSAs to clients and prospects solving their rising health care costs.
- Capitalize on the HSA momentum.

## HSA Highlights

- Investments grow tax deferred.
- Withdrawals or TAI reimbursement are tax-free if used for eligible health care expenses (see sample list below).
- No "Use-it or Lose-it" forfeiture like a Flexible Spending Account - funds roll over each year.
- Works in conjunction with High Deductible Health Plans (HDHPs) from insurance companies (see Legal Requirements).
- Preventive services and preexisting conditions covered at 100%.

## Sample List of HSA Expenses

Acupuncture	Hypnosis for illness
Air Conditioner (allergy)	Indian Healing Rites
Ambulance Hire	Invalid Care
Artificial Limbs	In vitro Fertilization
Biofeedback	Lasik Eye Surgery
Birth Control Pills	Lip Reading Service
Chiropractors	Lodging @ \$50 a night
Christian Scientist	Marital Counseling
Circumcision	Massages (State Licensed)
Contact Lenses + Supplies	Medical Equipment
Co-Payments (office visits)	Mileage at 15¢ for 2005
Cosmetic Surgery (per Dr.)	Orthodontia
Deductibles (family)	Psychologists
Dental (crowns/bridges)	Seeing Eye Dog & Upkeep
Drugs (by prescription)	Smoke Cessation
Drug & Alcohol Rehab	Special Education
Eyeglasses + Exams	Special Plumbing
Hair Transplants (per Dr.)	Telephone for deaf
Handicapped Schools	TMJ surgery/treatment
Health Club Dues (per Dr.)	Spa or Pool per Dr.
Hearing Devices	Vaccines
Herbalist (State Licensed)	Vitamins per Dr. (prenatal)
Holistic (State Licensed)	Weight Loss
Homeopathic (State Licensed)	X-rays

## Covered Expenses Include Over-The-Counter Drugs and Medical Supplies

ANTACIDS: Alka-Seltzer, Amphojel, Anusol, Bromo Seltzer, Citrucel, Dulcolax, Ex-Lax, Fibercon, Fleets Enema, Gas-X, Maalox, Milk of Magnesia, Mylanta, Pepcid, Pepto-Bismol, Prilosec OTC, Roloids, Tagamet, Tums, Zantac

COLD-ALLERGY: Actifed, Afrin, Antihistamines, Benadryl, Chloraseptic, Chlor-Trimeton, Claritin, Cold-Eeze, Comtrex, Coricidin, Dimetapp, Drixoral, Nyquil, Robitussin, Sucrets, Sudafed, Suphedrin, Theraflu, Vics 44D

DIAGNOSTIC DEVICES: Blood sugar test kits, HIV test kits, Pregnancy test kits, Thermometers

MEDICAL EQUIPMENT: Beds (special needs), Breast pump, Crutches, Ionizer, Wheelchair

MEDICAL SUPPLIES: Ace "Elastic" bandage, Adhesive strips (Band-aids), Adhesive tape, Butterfly bandages, Cotton balls, Insulin, Q-tips, Nicotine Patch and Gum, Saline solution, Sterile gauze pads

OINTMENTS & TOPICAL TREATMENTS (supplies): Alcohol ("isopropyl"), Bacitracin, Bactine, Caladryl, Calamine, Clearasil, Corn removal medicine, Cortaid ("hydrocortison"), Freezone, Gyne-Lotrimine, Hydrogen peroxide, Lanacain

PAIN RELIEVERS: Aspirin, Advil, Alleve, Anacin, Bayer, Bufferin, Cystex, Doans, Dramamine, Excedrin, Ibuprofen, Legatrin, Midol, Motrin, Naproxen, Pamprin, Tylenol

## Legal Requirements

HSAs may only be established by individuals with High Deductible Health Plans (HDHP) and may not be covered by another plan unless coverage is for accidents, disability, dental, vision or long-term care.

For 2005, an HDHP has (1) an annual deductible of at least \$1,000 and a maximum of \$2,650 for individual coverage and at least \$2,050 for family coverage and a maximum of \$5,250. These are in-network amounts. Out of network deductibles could be higher; and (2) the maximum out-of-pocket expenses are capped at \$5,100 for individual coverage and \$10,200 for family coverage. Maximum out-of-pocket is usually the deductible plus coinsurance for office visits, laboratory fees, etc.

Catch-up provisions for individuals who are 55 or older is an additional \$600 for 2005 (\$500 in 2004).

## The TAI Advantage

As an independent HSA administrator with over 20 years of medical claims experience and a national reputation, Trust Administrators offers a comprehensive range of value added services for effective HSA management:

- Competitive monthly fee for each HSA. No termination fees, no transaction fees and no change fees.
- Employer administration kit with sample letter introducing HSAs to employees.
- Employee Summary with information about how HSAs work, covered expenses, enrollment and claim forms.
- Online Account management for employers and employees with detailed financial reports.
- Payment to providers or account holder.
- Account holder reimbursement through employer payroll, direct deposit or check.
- Tax Advice about "eligible" expenses.
- Integrate HSA with TAI's FSA or HRA administration for a "one" claim system.