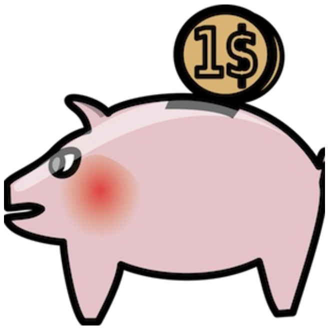
Health Savings Accounts: What You Need to Know



[Health savings accounts (HSAs)](), first introduced in 2003, have suddenly become a hot topic of discussion amidst Republican efforts to repeal and replace the Affordable Care Act. Expanding the use of HSAs, based on a long-held conservative view that consumers should be more responsible for their healthcare spending, is part of almost every GOP replacement plan under consideration on Capitol Hill.

Supporters say premiums for the insurance linked to an HSA are lower, and they like HSAs' offer of tax savings – no taxes on contributions, the growth of the funds in the account or on their withdrawal if spent on medical care. However, sceptics note the tax break benefits wealthy people more than those with lower incomes.

Q: What are HSAs?

HSAs currently must be paired with qualifying health insurance plans that have annual deductibles of at least $1,300 for individuals or $2,600 for a family. Unlike some other types of insurance, the consumer pays the full cost of most doctor visits, drugs or hospital stays until the deductible is met. There are some exceptions for services deemed "preventive," such as certain vaccines, prescription medications or cancer screenings.

To pay for those deductibles and other medical costs, consumers can make tax-free contributions to the HSA account. This year, that allowable amount maxes out at $3,400 for individuals or $6,750 for families, and unused portions can roll over to the following year. The amounts in the HSA grow tax-free, similar to retirement accounts. Some employers who offer HSA-linked insurance contribute to the accounts on behalf of their employees. Money in the funds moves with the policyholders, even if they change jobs or insurers.

See Also: **Physicians Urged to Reject ACA Repeal**

Q: How would they change under GOP proposals?

Several proposals – including the Better Way white paper authored by House Speaker Paul Ryan, R-Wis., would increase HSA contribution limits. Ryan's plan would allow the tax-free contributions to total as much as the insurance plan's annual deductible and out-of-pocket maximum. For families, that could be more than $14,000 a year. Sen. Rand Paul's, R-Ky., Obamacare Replacement Act would get rid of the upper limit on contributions entirely. It would also allow the accounts to be coupled with any type of insurance, not just high-deductible plans.

Q: What services can HSA funds cover?

Currently, money in the accounts can be used only for certain health costs, such as deductibles, copayments for doctor visits, hospital care and other out-of-pocket costs. The funds cannot be used to pay premiums on health insurance plans. Both the Ryan proposal and one from Rep. Tom Price, R-Ga., would allow the funds to be used to pay fees directly to doctors, for "concierge care," which refers to arrangements in which consumers pay annual or monthly fees for special coverage that provides quicker access, longer visits or, in some cases, all primary care services.

Q: How common are HSAs?

An estimated 26 million Americans – policyholders and their dependents – are covered by some type of HSA-eligible plan. That's a small share of the overall 178 million who have coverage through their jobs or purchased on their own, but it has steadily grown since HSAs first became available in 2003. Among employers who offered insurance last year, about 24 percent had HSA-eligible plans, with average annual deductibles of $2,295 for single policies and $4,364 for families, according a survey by the Kaiser Family Foundation.

Q: How much do they cost and what are the advantages?

Eligible health plans may have lower premiums than other types of insurance because of their higher deductibles. Policy experts and economists say the accounts might make people better consumers of healthcare because they have more "skin in the game" and are more likely to shop for the best prices on drugs, medical care or hospitalisations.

Q: What are the disadvantages?

Among those with HSAs, overall spending on medical care does indeed go down, Fronstin and other researchers have reported. But they also uncovered a disturbing trend: At least in the first year or two, policyholders cut back on everything, including high-value services they should really seek. ER visits go up. And many even forego screening exams – such as mammograms or other cancer tests – even though they are specifically excluded from the deductible and are therefore "free" to the consumer. Bypassing preventive or other care could lead to higher costs in the future.

Source: [Healthcare Finance]
Image Credit: Pixabay

Published on : Tue, 7 Feb 2017