

NJAHU offers advice on health savings accounts

Springfield, NJ, Jan. 16 - The New Jersey Association of Health Underwriters (NJAHU), a statewide organization of health insurance brokers, urges business owners and employees to become familiar with health savings accounts (HSAs)- which could enable more people to afford medical coverage. With HSAs, a person links a savings account to a high-deductible health insurance policy.

“HSAs offer an excellent alternative to pay lower premiums and still be covered, said Brad Greenbaum, NJAHU president. “But they’re not for everyone-so take the time to learn if it’s right for you or your company.”

Greenbaum, also the president of the Fairfield, New Jersey-based Altigro Benefit Services, suggests that employers use experienced health insurance brokers to guide them through the complexities of HSAs and the maze of other options like HMOs, PPOs and POS plans.

“You don’t pay any more for a health insurance plan if you go through a broker than if you directly to the insurance carrier,” he said. “So why not get the expertise of an insurance professional who can explain the choices and help you make the right decisions”

NJAHU, group of health insurance professionals, taps Princeton Public Affairs

What is an HSA?

An HSA is a bank account you establish that’s linked to a high-deductible health insurance policy. The money in HSAs can be used to pay for healthcare that traditional plans don’t cover including acupuncture and laser eye surgery. You decide how much to contribute, how much of the account to use for medical expenses, and which medical expenses to pay from your account.

You keep the HSA and any unused money from year to year, even if you change jobs. The money grows tax-free, while accruing interest to help pay for future medical expenses. Individual contributions are tax-deductible even if the taxpayer does not itemize.

For employers, HSA contributions are tax-free.

Unlike some other types of accounts, you don’t lose HSA funds at the end of the year. Unspent balances remain in your account earning interest until you spend them on medical care. Plus, in the case of severe financial hardships, HSA funds can be immediately withdrawn-but you’ll be taxed at the regular rate and pay a 10% penalty.

Who is best suited for an HSA?

Among the individuals best suited for HSAs, according to NJAHU:

- *Self-employed individuals
- *Those who can’t afford traditional health plans
- *Those who already have high-deductible plans
- *New graduates first entering the workforce
- *Those without jobs
- *Those who anticipate spending \$500 or less on medical expenses during 2007 (a category into which 73% of the U.S. population falls, according to American Health Value).

Person not eligible for HSAs include those enrolled in Medicare, people claimed as a dependent on someone else’s tax forms and those covered by traditional benefits plans who don’t meet the deductible minimums.

Good news: IRS raises maximum HSA contributions for 2007

The maximum contribution that can be made to an HSA for an employee with single coverage for 2007 is \$2,850, up from \$2,700 in 2006. Those with family coverage can contribute up to \$5,650 a \$200 increase from 2006.

The minimum deductible of the plan to which HSAs must be linked will be increased from \$1,050 to \$1,100 to those with single coverage and from \$2,100 to \$2,200 for those with family coverage.