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# State of HSAs

IN 2018



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## First, what is an HSA?

### **WHAT DOES IT STAND FOR?**

Health Savings Account.

### **WHO OWNS THE ACCOUNT?**

The employee.

### **HOW IS THE ACCOUNT FUNDED?**

Money is deposited directly into the employee's account. Contributions can be made by the employee through lump sum contributions or pre-tax payroll deductions. An employer may also contribute to the account.

### **IS IT A PERSONAL ACCOUNT?**

Yes.

### **IS THE ACCOUNT PORTABLE?**

Yes, the employee owns the HSA, and they can take it with them into retirement and even pass it on to their heirs.

### **WHO IS ELIGIBLE?**

First, you must be enrolled in a qualified high deductible health plan (QHDHP) and not be covered by any other impermissible coverage. There are two groups not eligible to contribute to an HSA: someone who can be claimed as a tax dependent & someone entitled to Medicare (ex. enrolled). Factors that do not affect eligibility are annual income, employment status, or incurred medical expenses.

### **WHAT TYPE OF CORRESPONDING HEALTH PLAN IS REQUIRED?**

Only a defined high deductible health plan (HDHP).

### **CAN ACCOUNT FUNDS BE USED FOR NON-MEDICAL EXPENSES?**

Yes. However, funds used for non-medical expenses are taxed as income and incur a 20 percent penalty. After 65, there is no penalty.

### **WHAT IS THE TAX TREATMENT FOR THE ACCOUNT?**

Contributions to these accounts are made on a pre-tax basis, and funds may be used tax free for qualified health care expenses.

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According to a recent study by [Alegeus](#), 66 percent of consumers rate planning for out-of-pocket costs as the most stressful aspect of managing their health care.

It's time to put consumers (in this case, your employees) in the driver's seat when it comes to health care. Now, more than ever, HSAs are becoming an attractive plan option for employers.

In fact, [Devenir](#), a leader in HSA investments, predicts HSA assets could reach more than **\$60 billion by the end of 2019.**

## HSAs are really growing.

[Devenir also noted](#) that the number of HSAs has risen to 20 million. That's an **increase of 20 percent** year over year.

What's driving this growth? Health plan partnerships and out-of-pocket health care expenditures. The purpose of an HSA is to encourage savings for medical costs and growth of consumer driven health care. And employers are catching on:

**59%** of employers with 1-49 employees offer HSAs.

**73%** of employers with 50-199 employees offer HSAs.

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[The Plan Sponsor Council of America](#) also says 80 percent of employers contribute to an HSA.

## What you need to know about the limits themselves.

### QUALIFIED HIGH DEDUCTIBLE HEALTH PLAN (QHDHP)

*Per the IRS.*

Annual Costs		2018	2019
Deductible	Self	\$1,350	\$1,350
	Family	\$2,700	\$2,700
Out-of-pocket Expenses*	Self	\$6,650	\$6,750
	Family	\$13,300	\$13,500
Maximum Contribution	Self	\$3,450	\$3,500
	Family	\$6,900	\$7,000

\*Deductibles, co-payments and other amounts, but not premiums.

To view the full IRS publication, [click here.](#)

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## The golden benefits of HSAs.

HSAs have become a common vehicle to pay for out-of-pocket medical expenses. But to fully unlock its benefits, you should understand how HSAs can be a financial planning tool.

### **REAPING THE TAX BENEFITS.**

HSAs provide three substantial tax benefits that other retirement savings options cannot provide.

1. Your HSA contributions are not taxed. They are tax-deductible, or if your employer withholds deductions from your paycheck, your contributions are taken before taxes are calculated.
2. You don't pay taxes on any interest earned in your HSA.
3. You may make tax-free withdrawals for qualified medical expenses.

### **PENALTY-FREE DISTRIBUTIONS ARE REAL.**

At age 65, you may take penalty-free distributions from your account for any reason. But, you may also take tax-free and penalty-free distributions from your account for qualified medical expenses and health insurance premiums. That is a huge advantage over other retirement vehicles like 401(k) plans.

On average, Americans face higher out-of-pocket medical expenses after age 65. With your HSA, you can pay these expenses with tax-free dollars. Further, you can use your HSA funds to pay for Medicare parts A, B, D, and Medicare HMO premiums.

### **INVESTMENT OPTIONS WITH AN HSA.**

You're used to the typical investment options available in your 401(k) or IRA, but have you considered those for an HSA account?

Many HSA custodians offer a wide range of investment options, and you may see your HSA balance grow through wise investing.

If you are able to tolerate the financial risk, you may want to explore how your HSA dollars can grow. Ask your HSA administrator or employer if investment options are available. Your financial planner can help you create the right investment strategy for your financial plan.

These golden benefits can blend perfectly into your golden years. Prepare your finances now and make smart decisions with your HSA and have a retirement that's truly golden.



# Get ready to empower your employees.

No matter what happens in the legislative world, PrimePay is here to support you. Acting as your go-to educational resource, we'll guide you in making the best health care decisions for your employees.

## Get started with HSA today

(and we'll throw in Premium Only Plans [POP] for free):

[PrimePay.com/HSA](https://www.primepay.com/HSA)