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## Will an HSA save you money?

Health Savings Accounts are gaining popularity, but business owners need to take a close look to see if the low-cost, high-risk plans are right for their company.



**Normand Savellano, Chino Hills, Calif.**

I am president of my own company and my wife is vice-president. We pay ourselves a salary and get our health insurance through the corporation. Are we eligible for an HSA and for the corporation to contribute?



**By Kathleen Ryan O'Connor, *Fortune Small Business* contributor**

HSAs - or Health Savings Accounts - are a hot topic right now. Ever since President Bush launched a high-profile push to expand access to HSAs in 2006, an increasing number of consumers are choosing to spend their health care dollars on the IRA-like vehicle - to the tune of 6.1 million users, up 1.5 million from last year, according to the health insurance trade group [America's Health Insurance Plans](#).

But before jumping in headfirst, know that HSAs come with one very important eligibility criteria: You must first be enrolled in a high-deductible health plan, or HDHP, and not have coverage under any other health plan, including Medicare.

According to the [Health Savings Account Resource Center](#) a qualified HDHP is a health plan with a minimum annual deductible of \$1,100 for an individual, \$2,200 for a family. They recommend that an insurance carrier or licensed insurance professional verify that a plan qualifies for an HSA. You can get penalized for setting up HSAs without the appropriate insurance. The idea behind this combination is to strike that elusive balance between protecting against huge medical bills while still providing users with an incentive not to run to doctor with every sniffle or head cold.

But no two people are alike, so plenty of individual research is necessary before you decide to switch health plans. Some people balk at the fact that HDHPs feature higher annual

deductibles than traditional health insurance. Small business owners also tend to like them because they can provide employees with health insurance at a lower cost.

The biggest lure with an HSA is that contributions to your HSA, within limits, are completely tax deductible, as are any withdrawals for qualified medical expenses. Plus, HSAs are fully portable, and the balance can roll over year-to-year up to a predetermined amount - a key difference between HSAs and FSAs (Flexible Spending Accounts). You won't face that year-end scramble to stock up on Tylenol to use up dollars that will otherwise disappear.

"You never lose it. It's your account," says Serena Yee, a St. Louis lawyer with [Brian Cave LLP](#) who specializes in employee benefit and retirement plans.

So what is the employer's responsibility with HSAs? Very little, which is another thing that makes them attractive. Employers don't have to contribute to their employees' HSAs or even administer them. However, if you want to help your employees out, you're allowed to contribute up to the annual HSA funding limit. For 2008, that limit is \$2,900 for individual coverage and \$5,800 for a family. For 2009, it will be \$3,000 for an individual, \$5,950 for a family.

But there are some rules. Contributions among employees must be equitable - you can't contribute \$1,000 to one worker and a \$1 to another - and if an employee leaves, your contribution walks out the door with them, even if they've only been there a short-time.

The [National Health Policy Forum](#) offers a great deal of information about HSAs. Other good information sources include Information Strategies, a media and marketing company that runs a Web site called [HSA Finder](#), and the [Small Business Guide to HSAs](#) by JoAnn Mills Laing.

Consulting with a qualified tax professional is also a smart idea, since the tax implications for a corporation are going to be different than those for an individual or family.

[Rob Wilson](#), president of [Employco](#), a Chicago company that handles payroll and benefits for small businesses, says that while HSAs have been slow to catch on, companies continue to keep an eye on them. After all, an HSA is a radical departure from a more traditional health plan - and the full benefit isn't necessarily felt right away, he says.

Typically, in the first year you are paying the higher deductible without accruing any significant balance on the account, so a consumer has to be committed for the long haul. With HSAs, the idea is, "The less I go [to the doctor], the less I spend," Wilson says - which also might be a problem for some people.

"Part of it is education," he says.