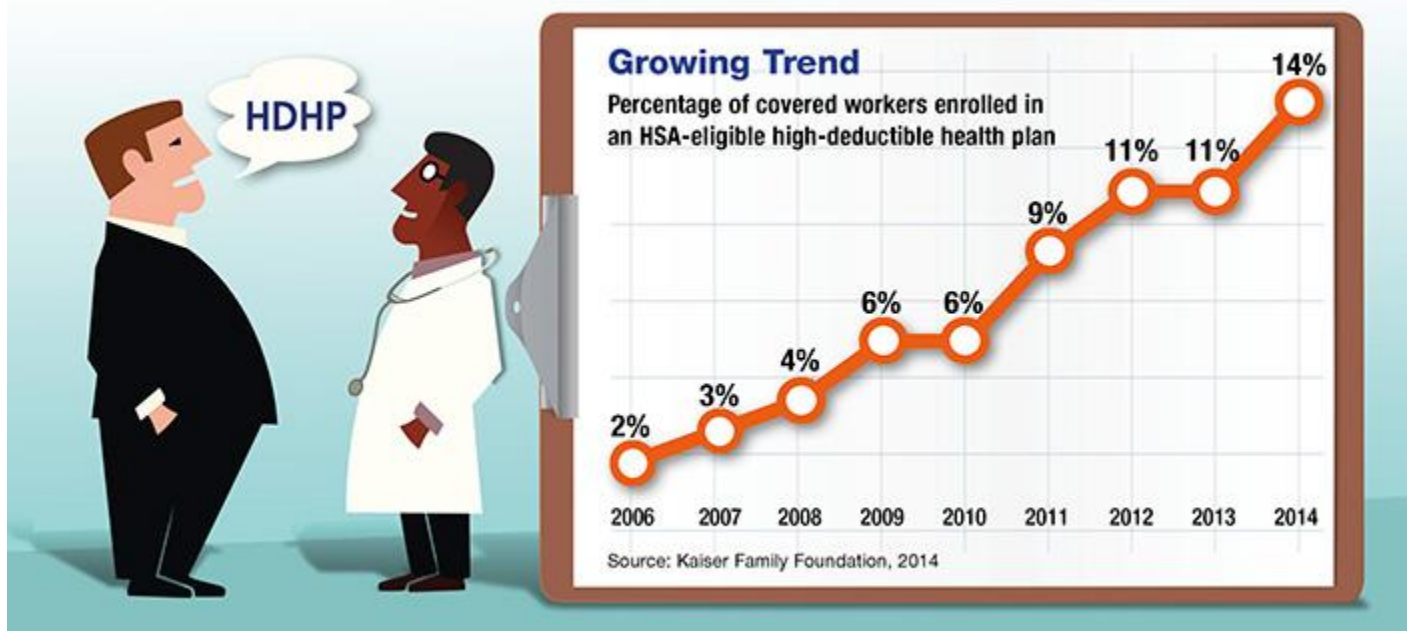


Controlling Health Insurance Costs

If your employer offers health insurance benefits, one of your options may be a high-deductible health plan (HDHP) with eligibility to participate in a health savings account (HSA). These plans offer potential savings by giving you more responsibility over your medical spending. If you do not have employer-sponsored health coverage, you can choose from a variety of HDHP individual plans, including a bronze plan through state or federal health insurance exchanges.

Lower Premiums, Higher Deductibles

Premiums for HDHP coverage are generally lower than for traditional PPO or HMO coverage. In exchange, you pay a larger annual deductible (at least \$1,300 for an individual; \$2,600 for a family in 2016) before the plan begins to cover a percentage of expenses; some plans have higher deductibles. Regardless of the deductible, the costs for medical services may be reduced through the insurer's negotiated rate, and certain types of preventive care, such as annual physicals and health screenings, may be provided at no cost.



To protect consumers from “catastrophic expenses,” most health insurance plans have out-of-pocket annual and lifetime maximums above which the insurer pays all medical expenses. HDHP maximums may be similar to that of traditional plans. If you have high expenses and reach the annual out-of-pocket maximum, your total cost for that year would typically be lower for an HDHP when you consider the up-front savings on premiums. If you have low medical costs, the lower premiums will generally make an HDHP more cost-effective. Of course, the cost-effectiveness of an HDHP may vary with your situation.

Triple Tax Advantage

Individuals who are enrolled in a high-deductible health plan are eligible to establish and contribute to an HSA, a tax-advantaged savings account that can be used to pay future medical expenses. HSA contributions are typically made through payroll deductions, but they can also be made directly to the HSA provider. In 2016, contribution limits are \$3,350 for an individual or \$6,750 for a family (a

\$1,000 catch-up contribution can be made if the account holder is 55 or older; \$2,000 for a family if both spouses are 55 or older). Although 2015 payroll contributions to an HSA must be made by December 31, direct contributions for the 2015 tax year can be made up to the April 15, 2016, tax filing deadline.

HSA funds, including any earnings if the account has an investment option, can be withdrawn free of federal income tax and penalties as long as the money is spent on qualified health-care expenses. Thus, HSAs offer tax advantages on contributions, earnings, and distributions. However, some states do not follow federal rules on HSA tax treatment.

Assets in an HSA belong to the contributor, so they can be retained in the account or rolled over to a new HSA if you change employers or retire. Unspent HSA balances can be used to help meet medical needs in future years, whether you are enrolled in an HDHP or not; however, you must be enrolled in an HDHP to contribute to an HSA. HSA funds cannot be used to pay regular health insurance premiums, but they can be used to help pay Medicare premiums and long-term-care expenses.

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