

Control Your Healthcare Costs for the New Year

BY CINDY CONGER, CPA/PFS, CFP®

More and more people are deciding to become self-employed or to work for employers who do not provide health insurance. When taking a look at self-funded healthcare plans to replace needed coverage, it quickly becomes apparent that the total cost of traditional health insurance is far more than anticipated. One option is Health Savings Accounts (HSA) in tandem with a High Deductible Health Plan (HDHP).

Health Savings Accounts, combined with a High Deductible Health Plan, can be very beneficial in controlling the cost of health insurance. So, what is the Health Savings Account? The HSA is an account similar to an IRA account; you can make a deductible contribution to your HSA every year equal to the amount of your HDHP deductible. However, in contrast to an IRA, there is no requirement to have earned income to be able to make the deductible contribution.

Who is eligible? Any adult who:

- is not covered by another medical policy (not including specific injury or accident, disability, dental care, vision care, or long term care insurance);
- is not enrolled in Medicare (in other words, under age 65);
- cannot be claimed as a dependent by someone else;
- has an HSA qualified High Deductible Health Plan.

What is a High Deductible Health Plan? It is an HSA qualified plan, which does not cover first dollar health costs, and has a deductible of at least \$1,050 for an individual, or \$2,100 for a family. The cost of insurance for a woman, age 45, for a \$1,050 deductible is \$148.80 per month. This would allow the woman to also contribute \$1,050 to an HSA. The cost of insurance for a woman, age 45, with children with a family deductible of \$2,100 would be \$222.79.

Insurance with a traditional \$250 to \$500 deductible is at least four times that much, if it is available.

The providers of HSA accounts are generally insurance companies and banks. The accounts will receive interest or may have other investment options. While your contribution is deductible, the money accumulates tax-free, and when you take a distribution from it for qualified medical expenses, the distributions are tax-free as well. Qualified Medical Expenses are the same as those expenses allowable on your tax return — doctors and hospital costs, prescriptions, physical therapy, over-the-counter drugs and more. If there is money left in the account at the end of the year, it carries over to the next year. So, there is no “use it or lose it” provision.

Congress approved HSAs with the idea that people could accumulate money in these accounts to help pay for their medical expenses once they are covered by Medicare. But the benefit that is available for most people is that the cost of insurance is reduced, and medical costs basically become deductible from the first dollar when paid through the HSA.

Additionally, medical costs for a spouse or dependents not covered by the HDHP plan can also be paid from the HSA. This means that a mother whose children are covered by their father's plan can pay for unreimbursed medical costs from her HSA.

While investment options may be available to owners of HSAs, similar to investment options for IRAs, it would be most prudent to keep the money in a liquid type of investment (money market, interest bearing account) until you have accumulated at least a couple of years' deductible. That way you will avoid having to sell an investment at a point when its value is down in order to pay for current medical expenses.

The combination of the High Deductible Health Plan and a Health Savings Account can be a very beneficial means to help control increases in health insurance costs. Talk to an insurance agent to find out what is available for you.

Cynthia L. Conger, CPA, PA, is a fee-only wealth management firm offering financial planning, tax preparation and asset management. Cindy was selected as one of the nation's top 100 wealth advisers by Worth magazine in October 2007. AY.



for voting our
“We proud

co-foun

Voted Best Func

www.Roller

end of art
ce come
utiful.
fee at
chedule
and be

Procedures

implants

etic & Functional)

(Tummy Tuck)

Procedures

facial

©

removal

Removal

©

treatment

Removal

removal

removal

duction

© Skin Tightening

mentation/
on

©

Science

VEE
Center

RYDAY

or the Phone

TOLL FREE

77.265.1604

son's

Furniture
Mart in Benton

L 8pm

canine needs



Visit www.CanineNeeds.com
Owned and operated by a resident of Hot Springs Village.