

10 Reasons to Love your HSA

1. HSAs fund health care needs

The HSA is first and foremost designed to fund health care expenses in conjunction with a high deductible health plan (HDHP). You must have an HDHP to set up an HSA. The HSA is a savings account that secures pre-tax dollars in a fund for future medical needs, and helps meet the deductible on your health insurance should something happen that takes your medical expenses beyond what you could readily afford.

2. HSAs utilize pre-tax funds

HSAs may be set up through employers or through financial institutions like banks, insurance companies, or third party administrators. Contributions to HSAs through employers are set up as pre-tax investments. HSA accounts created through financial institutions are designed so that consumers can take an “above-the-line” deduction on personal taxes. But the important point to understand is that one element of your savings is that you are decreasing your taxable income, and thus paying out fewer taxes.

3. HSAs come with significant premium savings over traditional insurance plans

High deductible health plans also come with much lower premiums than a traditional plan. This is especially apparent to someone who pays the premiums all year long but doesn’t actually go to the doctor or utilize medical services very often. For this person, the premium can feel like money out the window. Based on premium savings alone, some HSA consumers see savings each year.

4. HSAs offer expanded coverage options for consumers

Unlike typical insurance plans that have a highly negotiated list of medical products or services that are covered, HSAs allow many additional health-related expenses. So your doctors’ visits, hospital expenses, and prescriptions are covered, but it will also cover some over-the-counter drugs, dental and vision services, and some select “non-traditional” treatments such as acupuncture and deep tissue massage.

5. HSAs give you negotiating power to secure discounts on medical services

Because an HSA is a “cash” account, it empowers consumers with an option to negotiate pricing on many medical services, which can lead to substantial savings on medical expenses. For example, standard imaging services can vary widely in price depending on where you get it and how you are paying for it. An MRI, for example, can cost anywhere from \$400 to \$1800 for the exact same service. What would you rather pay?

6. HSAs offer consumers control and choices regarding health care needs

With these plans, consumers have unlimited choices regarding services, service providers, and medical expenditures. There are no provider or facility networks to stay within or pay the penalty like in traditional insurance plans. With an HSA you can go to the doctor of your choice.

7. HSAs are portable

If a consumer switches jobs, the HSA account travels with them. And, unlike traditional insurance plans, consumers do not lose unused funds in these accounts at the end of the year. The consumer “owns” this account and all benefits that come from its good management. You keep the money that isn’t spent and you take the account with you wherever you go.

8. HSAs create financial incentives for a consumer to manage health care expenses

There are always unfortunate cases where a catastrophic event occurs and emergency medical services are required that do not allow time to “shop around.” But the majority of medical transactions we face in the course of a lifetime are really more mundane and more predictable. Since the HSA is a cash account that the consumer controls, that consumer is incentivized to ask himself whether a particular expense is really worth it and whether a generic medication might work just as well. This is, after all, money in his pocket we are talking about, not some distant insurance company coffers.

9. HSAs are a powerful tool for retirement investing

Over time, a relatively healthy person or someone who is just a decent financial manager can save a good deal of money and investment earnings in their HSA. Consumers who are between the ages of 55 and 65 also have the opportunity to make additional “catch-up” contributions to the fund. At age 65, you then have increased access to this fund. You can continue to use the account for medical expenses with no penalties, but withdrawals for other purposes are also possible (after age 65, remember) and often face fewer penalties than withdrawals from an IRA.

10. HSAs create a health conscious community and puts market forces to work that drive down health costs for everyone

Because of the incentive to save and earn money, consumers are encouraged to become educated on health care and medical services so that they can become active participants in the control of their health and wellness. Providers of medical products and services are forced into a healthier competition for consumers. Additionally, consumers have a personal incentive to make smarter decisions about their use of the health care system, and thus, decrease the likelihood of abuse of the health care system. Overall, it becomes a more efficient system and the cost of medical services decrease to meet the new market realities.