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Health Savings Accounts

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Recently, the IRS issued inflation-adjusted contribution limitations into health savings accounts (HSAs) for calendar year 2010. For an individual with self-coverage only on a high deductible health plan (HDHP), the maximum amount allowed as a contribution in 2010 increases from \$3,000 to \$3,050. For an individual with family coverage, the increase is from \$5,950 to \$6,150. The IRS also issued inflation-adjusted requirements for HDHPs for 2010, requiring that an HDHP must have an annual deductible of at least \$1,200 for a plan with individual coverage and \$2,400 for a plan with family coverage in 2010 (\$1,150 and \$2,300 in 2009). Additionally, the total out-of-pocket expenses under HDHPs cannot exceed \$5,950 for self-only coverage and \$11,900 for family coverage (\$5,800 and \$11,600 for 2009).

Health Savings Accounts are often seen as viable tax-friendly options for employees. Any distributions made from an HSA which are used for qualified medical expenses are tax-free to the employee. Additionally, employee contributions to an HSA are deductible from an employee's adjusted gross income up to the maximum allowed annual contributions stated above. To the benefit of the employer, the premium costs to employers for HDHPs are often lower than comprehensive health insurance packages.