Cigna H.S.A. Open Access $5500
WHAT IS AN H.S.A. AND HOW DO YOU BEST USE AN H.S.A. PLAN

An HSA **Insurance plan** is a qualified **High Deductible Health Plan (HDHP) (PPO $5500)** featured with a tax-advantaged **health savings account administrated by a qualified bank or financial institution. Not all health insurance plans qualify for tax benefits included in HSA plans.** To qualify, a medical plan must meet deductible, out-of-pocket limit, and HSA contribution limit requirements set each year by the IRS. The core of HSA insurance is that HDHP plans are to cover major medical and health savings accounts are to fund minor eligible medical expenses such as office visits or preventive care service expenses.

Eligible Medical Expenses

Internal Revenue Services (IRS) defines a list of medical services that can be funded with contributions made to an HSA account on a tax-free basis. Some of them are hospital services, dental treatment, chiropractic services, contact lenses, hearing aids, office visits, psychiatric care, Rx and much more. To be paid for, a medical service doesn't have to be covered by your HDHP plan. In fact, some of them such as contact lenses or eyeglasses are not included in your employer sponsored health insurance policies. After enrolling in a HDHP and opening an HSA you can pay for health care using a debit card or checks provided by your HSA Administrator (Bank).

How do Health Saving Accounts and HSA Insurance Plans work together?

HSA insurance works almost the same way catastrophic health insurance does. You pay for medical expenses up to your out-of-pocket maximum including the deductible. After they are paid, your insurer starts to cover health care services at 100%. The main difference is that HSA plans are enriched with the tax benefits if you do contributions to a health savings account and then use them to pay for eligible medical expenses. Any health insurance plan that meets IRS HSA requirements can qualify for tax advantages.

For 2024, HSA requirements are as follows:

For individuals:

- $5,500 Cigna Deductible
- $5,500 maximum out-of-pocket (including deductible)
- $4,150 maximum contribution limit*

For family:

- $11,000 Cigna Deductible
- $11,000 maximum out-of-pocket limit (including deductible)
- $8,300 maximum contribution limit*

*If you are over 55 years old, you can make additional "catch-up" contributions just like in IRAs. For 2024 the catch-up contribution limit is $1,000. Each year the above HSA insurance requirements are adjusted by IRS to current economic situation and inflation.

How does a health savings account work?

- You deposit money into the H.S.A. in the amount allowed by IRS in a given fiscal year. The maximum amount of money that can be deposited is the HSA contribution limit. Contributions to health savings account can be made in a lump sum or monthly. Also, there is no obligation as to the frequency of deposits. You, as the account holder, are in control of the account and the money in it. Contributions are typically made via payroll deduction every pay period. These deductions are taken out of your check on a pre-tax basis.
- You use contributions to pay for the eligible medical expenses on a tax-free basis. Any unused contributions roll over to the next year. The money you deposit into your account is your money and it does not expire.
- To utilize your tax deferred monies, you must open an H.S.A. bank account with any financial institution that offers H.S.A. bank account options. Please visit with your local banker for H.S.A. account options.

HSA Tax Advantages

- **Tax-Deductible Contributions** - Deposits made to HSA accounts are tax-deductible. They are deducted from your Gross Annual Income on IRS Form 1040. That means that your taxable income is lowered by the amount of money deposited into the HSA.
- **Tax-Free Withdrawals** - If the money collected in the account is used to pay for HSA medical expenses, it is not a subject to income tax. However, if the HSA contributions are used for non-eligible medical expenses such as mortgage, rent, vacations etc. it is taxed. If you're under the age of 65 you would also have to pay an additional 10% penalty.
- **Tax-Deferred Interest Income** - The interest earned on unused contributions over the years is not taxed unless withdrawals are made. As soon as you withdraw the money, it is a subject to income tax in a fiscal year the withdrawal was made.