



Health Savings Account Overview

By 2010 it is estimated that 70% of all employers will offer their employees HSA (health savings account) compatible health coverage*. HSAs, paired with high deductible health plans (HDHP) can significantly reduce healthcare premiums today and provide employees a tax advantaged way to save for the future.

Compared to traditional HMO and PPO plans, HSA compatible high deductible health plan premiums average 20-60% less than traditional plans. Savings from the lower premiums can be contributed by an employer and/or employee into employee HSA accounts on a tax free basis. Unlike a healthcare FSA, any HSA funds contributed into an HSA rollover from year to year and continue to accrue interest. There is no “use it or lose it” rule.

HSA funds can be used for qualified medical expenses, dental and vision expenses, alternative medicines, COBRA premiums, Medicare B, C and D premiums, and long term care premiums. HSA funds can be used by the account holder, their spouse and/or dependent children. All funds are fully vested and portable, so employees can keep their HSA if they change employment or retire.

HSA Contribution Limits 2009

- \$3,000 (account holder has single medical coverage and under age 55)
- \$5,950 (account holder has family medical coverage and under age 55)
- Account holders and eligible spouses age 55 and over may both make a \$1,000 catch-up-contribution. A separate HSA is required for both spouses to make a catch-up contribution

Please note that for HSA purposes the IRS defines a family as anything more than one, with the exception of domestic partnerships which are not recognized by the federal government at this time.

HSA funds are kept at Mechanics Bank and FDIC insured to \$100,000. Sterling HSA pays interest on all accounts based on account balance:

| Interest Tier | Interest Rate | APY% |
|--------------------------------------|---------------|-------|
| \$15,000 or higher | 1.98% | 2.00% |
| \$10,000- \$14,999 | 1.74% | 1.75% |
| \$5,001- \$10,000 | 1.25% | 1.26% |
| \$501- \$5,000 | 0.75% | 0.75% |
| Below \$500 | 0.35% | 0.35% |
| Interest rates are subject to change | | |

HSA Facts

- HSAs are not just for the young. The average account holder is age 42**
- HSAs are not just for the wealthy. 50% of HSA account holders have household income of less than \$50,000 per year. ***
- 60% of HSA account holders do not use the funds in their HSA accounts each year. **
- According to Blue Shield, the average person uses \$553 dollars per year out of pocket on medical expenses.
- A Blue Cross/Blue Shield of Ohio study found that 92% of their members never meet a \$1,000 deductible.
- HSA account holders are 30% more likely to get an annual exam and 25% more likely to engage in healthy behaviors than those individuals with traditional health coverage****

How an HSA Works

| PLAN BENEFITS | TRADITIONAL PLAN | HSA PLAN |
|----------------------------|------------------|------------------------|
| Deductible/Single | \$250 | \$1,000 |
| Deductible/Family | \$500 | \$2,000 |
| Coinsurance | 80/60 | 100/70 |
| Out of Pocket | \$1,000 | \$3,000 |
| Office Visit Copay | \$20 | \$0 (after deductible) |
| Drug Copays | \$10, \$20, \$30 | \$0 (after deductible) |
| ANNUAL PREMIUM | \$1,800 | \$1,200 |
| Medical Expenses | | |
| Annual Exam | \$20 | \$0 |
| Contact Lenses 1 @ \$200 | \$200 | \$200 |
| Total Expenses | \$220 | \$200 |
| HSA Contribution | \$0 | \$600 |
| Tax Savings (25% tax rate) | \$0 | \$150 |
| Total Cost | \$2,020 | \$1,400 |
| HSA Account Balance | \$0 | \$400 |
| Net Result | \$2,020 | \$1,000 |
| SAVINGS | | \$1,020 |

*Each HSA compatible high deductible health plan is different. Above example is for illustration purposes only.

For additional information please visit Sterling HSA at www.sterlinghsa.com, or contact your Sterling HSA Sales Director.

*Bearing Point, Inc. HSA Report October 2006. ** Sterling HSA data January 2006.

eHealthinsurance.com. *McKinsey Study June 2005.