

Health savings account (HSA)

How it works

What is an HSA?

An HSA is a health savings account. It's a tax-free way to save and budget for healthcare expenses*.

HSA contributions go in tax-free, earn interest tax-free and can be used tax-free for IRS-approved expenses*.

Your employer or anyone else can put money in your account, too.

To put money in an HSA, you must be enrolled in a high-deductible health plan (HDHP) and you can't have coverage under any other non-qualifying health plan. According to the Internal Revenue Service (IRS), an HSA-compatible HDHP has certain features:

1. The minimum deductible and maximum out-of-pocket expense amounts are within a range the IRS sets.
2. All covered expenses, including prescriptions, have to apply to the same deductible and out-of-pocket maximum. Preventive services like yearly gynecological exams are an exception to this rule.

Why you may want an HSA

The HSA lets you control how you save, invest and use your healthcare dollars. Here are other advantages to consider:

- **It reduces your taxable income.** You don't pay taxes on the money you put in your HSA, so you keep more of your paycheck*. By using tax-free money – instead of your take-home pay, which you've paid taxes on – you're essentially getting a discount every time you use your HSA for eligible items.
- **The money always belongs to you.** Any money you put into the HSA, along with any contributions your employer makes, belongs to you even if you leave the company.
- **Your account earns interest tax-free.** Money you put into an HSA earns interest – a lot or a little, depending on the type of account your employer chooses, the investments you choose and your balance. All the interest earned is tax-free*.
- **You control the money.** You decide how to invest the funds, including any amounts your employer contributes.
- **You can save the money for future needs.** Even if you don't use a lot of healthcare services now, your HSA funds will be there if you need them in the future even after retirement. If you never need the money, it goes to your heirs.
- **It's easy to use the funds.** Humana gives you a Humana Access® Visa® Debit Card that lets you take money out of your HSA for medical expenses without the hassle of reimbursement forms.

How the HSA and your health plan work together

When you use your HSA for out-of-pocket costs specified in your plan – like doctor's office visits and prescriptions – these costs apply to your deductible. You also can use your HSA money for other eligible expenses like vision and dental, but those costs don't apply to your deductible.

So you can use your HSA to satisfy some or all of your deductible. After you meet the health plan deductible, your plan starts paying coinsurance – a percentage of your total healthcare costs.

When estimating your HSA-eligible expenses for the year, keep in mind the HDHP has a combined medical and pharmacy deductible. This means you'll pay 100 percent of your healthcare and prescription drug costs before you meet the deductible – but including your drug costs may help you meet the deductible faster than with other plans. Plus, anytime during the plan year – whether you've met the deductible or not – you get a discounted price with in-network providers.

Humana oversees the administration of both your plan and the HSA, which is managed by our partner bank, UMB.



*Some states do not recognize the health savings account as a pretax contribution. Check with your benefits administrator or tax professional for more details.