

Health Savings Accounts

The Medicare Prescription Drug & Modernization Act of 2003

- **Eligibility:** Under age 65 may contribute to a “qualified high deductible health plan” Defined as a health plan with a minimum deductible of \$1,600 & a cap on out of pocket expenses of \$8,050. For a family, \$3,200 & \$16,100. Figures indexed for inflation.
- **Contribution Limits:** Can contribute 100% of the health plan’s deductible. (Max. \$4,150 individual & \$8,300 for family. Those age 55-65 may make “catch-up” contributions.
- **Tax Treatment:** Earnings grow tax free & account beneficiaries can make tax free withdrawals to cover current & future qualified health care costs.
- **Qualified** health care expenses include amounts paid for:
 - Doctors’ fees
 - Prescription & non-prescription medicines
 - Necessary hospital services not paid for by insurance
 - Retiree health insurance premiums
 - Medicare expenses (not Medigap)
 - Qualified long-term care services
 - COBRA
- **Nonqualified** expenses are subject to income taxes & a 10% penalty. Upon death HSA ownership may be transferred to a spouse tax free