

## SCC Encourages Virginians to Understand Health Savings Accounts

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**RICHMOND** – For Virginians enrolled in a high-deductible health insurance plan (HDHP), the State Corporation Commission’s Bureau of Insurance (Bureau) encourages residents to understand the potential benefits of opening a health savings account (HSA).

Similar to a flexible spending account (FSA), an HSA allows you (or your employer) to set aside money annually on a pre-tax basis to pay for qualified medical expenses upon enrollment in an eligible HDHP. The funds in an HSA also may be used to pay deductibles, copayments, coinsurance and other qualified health-related expenses other than premiums. Currently, consumers can contribute annually a maximum of \$3,600 (individuals) or \$7,200 (families) into an HSA.

HSAs are designed specifically to use with HDHPs and can be helpful since HDHPs often have both higher annual deductibles and out-of-pocket maximum limits than other types of health plans. Consumers should understand, however, that HSAs are not available for all HDHPs – which must meet minimum deductible amounts and annual out-of-pocket limits to qualify for use with an HSA. For 2021, an HDHP that qualifies for an HSA must have a deductible of at least \$1,400 for an individual or \$2,800 for a family. Additionally, consumers should understand that HSAs have maximum limits on annual payments. Currently, HSAs limit yearly out-of-pocket expenses (including deductibles, copayments and coinsurance) to \$7,000 for an individual and \$14,000 for a family for in-network services.

“HSAs may offer individuals more control over their healthcare dollars and an opportunity to lower their healthcare costs by providing an incentive for them to become more cost-conscious when utilizing medical services,” said Virginia Insurance Commissioner Scott A. White. “HSAs allow individuals to pay for current health expenses and save for future qualified medical expenses on a pre-tax basis. However, it’s important to understand exactly how they work,” he said.

If you are considering an HSA, the Bureau encourages you to keep several important things in mind. First, HSAs are used only with high-deductible plans – and not all high-deductible plans are eligible for HSAs. Check with your health insurer to determine eligibility. Additionally, if shopping for insurance plans on the Affordable Care Act (ACA) marketplace, check to see if a high-deductible plan is HSA-eligible.

Second, health savings accounts (unlike FSAs) are owned individually. This means that, if you change jobs or insurance plans, your funds remain in your HSA. Unspent money in an HSA rolls over from one year to the next, so it can be used for future medical expenses. Additionally, if you enroll later in a health plan that is not HSA-eligible, you will not be able to make additional contributions to your HSA; however, any existing funds in your HSA can be used for qualified medical expenses.

Third, since you own the funds in an HSA, you may withdraw money from your HSA for items other than qualified medical expenses. Consumers, however, should be aware that such withdrawals are subject to income taxation, as well as an additional 20 percent penalty tax if you are under 65 years old.

Fourth, although an HSA looks similar to an FSA, they are not the same. FSAs also allow individuals to contribute pre-tax money for qualified medical expenses, but are owned by the employer, are not as flexible as an HSA, and have smaller annual contribution limits (\$2,750 in 2021). Additionally, account funds in an FSA must be used within a single year or grace period.

Finally, the Bureau encourages consumers to keep a record of healthcare transactions, including receipts for medical expenses paid with HSA funds. These receipts may help establish that your withdrawals were used for qualified medical expenses.

For questions about HDHPs used with HSAs, contact your insurance company or agent or the Bureau's Life and Health Division toll-free at 1-877-310-6560 or in Richmond at 804-371-9691. For consumer guides and other information about a variety of insurance-related topics, visit the Bureau's website at [www.scc.virginia.gov/pages/insurance](http://www.scc.virginia.gov/pages/insurance).