

# NFIB CARRIES THE VOICE OF SMALL BUSINESS TO CAPITOL HILL: Health Savings Accounts



**On Dec. 8, 2003, President Bush signed the Medicare Prescription Drug, Improvement and Modernization Act, which allowed the creation of HSAs, effective Jan. 1, 2004. NFIB was instrumental in making this happen.**

- HSAs (formerly known as medical savings accounts) are tax-free accounts that are designed to help individuals and small businesses save for qualified health expenses.
- An individual who is covered by a high-deductible health plan qualifies to open an HSA. The annual deductible must be at least \$1,000 for individual coverage, and at least \$2,000 for family coverage.
- HSAs are a significant improvement over previous savings vehicles, which required much higher deductibles and only allowed either the employer or the employee to make contributions to the accounts.
- Contributions to HSAs by individuals are deductible, and contributions by an employer are not included in the individual's taxable income.
- In 2006, individuals, their employers, or both can contribute tax-deductible funds each year up to \$2,700 for individuals and \$5,450 for families. Catch-up contributions for individuals who are 55 and older is \$600. These funds are rolled over from year to year, plus interest earned on money in the account is tax-free. Anyone covered under a high-deductible health plan can contribute to the account.
- HSAs will help reduce the number of uninsured Americans by allowing small businesses and their employees more choice in the current small-group market.
- Some small businesses have saved up to 42 percent when they have chosen a medical savings account over traditional insurance products.
- By allowing portability (the ability to take the account from one job to the next) and more flexibility, HSAs will afford employers a better opportunity to offer employees health insurance at reasonable rates.

To find out if you qualify for an HSA, call NFIB HealthBenefits at (888) 488-6266.

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