



## FEDERATION OF AMERICAN CONSUMERS AND TRAVELERS - NEWS RELEASE -

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### **As the Health Care Debate Rages On, Health Savings Accounts (HSAs) Continue to Gain in Popularity**

EDWARDSVILLE, IL, November 3, 2009 - While the nation's lawmakers debate possible ways to improve the health care system, a national consumer organization reports that thousands of Americans apparently believe they've already found an answer: Health Savings Accounts (commonly known as HSAs).

"An HSA is a lot like an IRA," explains Vicki Rolens, managing director of the Federation of American Consumers and Travelers (FACT). "The money you put into the account offers above-the-line deductibility, reducing your adjusted gross income and thereby reducing your tax burden each year."

She adds that "There is one main difference between an IRA and an HSA: With an HSA, you are allowed to make tax-free withdrawals at any time to meet medical expenses that your health insurance doesn't cover."

In a bulletin to its members, entitled "How a Health Savings Account Can Save You Money and Simplify Your Life," FACT briefly outlines HSA basics:

1. The consumer purchases a high-deductible health insurance plan (HDHP), which costs less -- often far less -- than a "conventional" health plan.
2. Part or all of the money saved on premiums -- and saved on taxes -- can then go into a tax-free health savings account (HSA). The account belongs to the consumer, not the insurance company.
3. If a health issue arises, the consumer uses his or her HSA to pay any qualified expenses which the high-deductible plan doesn't cover. The money is withdrawn tax-free.
4. In general, "qualified" expenses include dental bills, over-the-counter medicines, prescription drugs, eye care, hearing aids, and many other health-related items and services that the HDHP doesn't pay.
5. All money remaining in the fund at retirement can be used to meet Medicare deductibles, long-term care expenses, et al, or can simply be withdrawn -- without penalty if the consumer is over the age of 65.
6. In 2010, an individual will be able to contribute up to \$3,050 tax-free ... \$6,150 for a family. The HSA can be opened in addition to any IRA the consumer may already have.

"The basic concept is simple," says Rolens. "You save money by having a higher health insurance deductible than usual, and you put that savings in a tax-free fund to meet medical expenses if and as needed.

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“In essence, you pay a portion of your health-care budget to yourself instead of an insurance company, and you gain some distinct tax advantages in the process.”

To qualify as an HDHP, a health plan’s deductible amount must be at least \$1,200 for an individual plan or \$2,400 for family coverage.

Rolens points out that an HSA may not be right for everybody, and she recommends that anyone who’s interested consult with his or her insurance expert or financial planner.

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FACT is a consumer organization, formed under the not-for-profit corporation laws of the District of Columbia in 1984. It currently serves more than 1 million consumers nationwide. Additional information on FACT may be found in the *Encyclopedia of Associations*, and by visiting the association's Web site ([www.usafact.org](http://www.usafact.org)). Relevant, unbiased news bulletins are regularly disseminated by FACT to help its members remain current on matters which might seriously impact their lives. In addition to publishing consumer-related reports, the association provides more than 30 benefits for its members, ranging from [medical insurance](#) and [dental discounts](#) to [prescription drug savings](#) and [scholarships](#). The information in this article is based upon FACT’s understanding of HSAs. While it has been carefully researched, this information is not guaranteed to be completely accurate and is by no means complete. FACT endorses HSA and other plans offered by Golden Rule Insurance Company, but receives no compensation of any kind for this endorsement. Anyone visiting the FACT Web site can link to Golden Rule’s site for an HSA Plan quote, without any obligation to buy. The Golden Rule site includes a toll-free number which the consumer can call for additional particulars. FACT recommends that anyone considering an HSA first obtain the guidance of an insurance expert and/or a tax planner who is familiar with the individual’s financial circumstances. FACT’s administrative office is located at 318 Hillsboro Avenue, Edwardsville, IL 62025.