

Henry C GrosJean

The recent passage of the Medicare bill and signature by the President has brought out the usual political pro and con positions.

Aside from the “senior” issues the law will allow all non-elderly Americans greater access to an MSA or Medical Savings Account that will be renamed as a Health Savings Accounts or HSA.

Any individual, not just the self-employed or small employer, as it is now under an MSA, will be eligible for an HSA.

And like an MSA the deposits will be tax-deductible and withdrawals will be tax free so long as they were used for qualified medical expenses.

Employers of all sizes may start to gravitate to an HSA as a further cost-sharing measure in an effort to control skyrocketing health insurance premiums.

The only issue that may stem this growth with employers is that an HSA requires an up-front contribution of monies for all employees whether they are using the health plan services or not.

A Health Reimbursement Account or HRA, which is the current benefit “buzz-word,” does not require this pre-funding arrangement.

In order to qualify for an individual HSA one will have to buy a qualified high deductible health insurance plan of \$1,000 or more for an individual and \$2,000 or more for a family.

There will also be maximum out-of-pocket limits, **which will be indexed annually, of \$5,000 for individuals and \$10,000 for a family.**

The annual contribution to the “side-fund” will be limited to 100% of the deductible up to a maximum of **\$2,600** for an individual or **\$5,150** for a family. Those 55 and older will be allowed stepped-up contributions starting at \$500 **in 2004, increasing to \$1,000 annually by 2009.**

If there is an employer-employee relationship involved the employer contributions are excludable from income and any individual contributions are tax deductible.

It may even encourage workers whose employers don’t provide benefits, and who make up the majority of the uninsured, to obtain coverage.

And a big plus, an employer will be allowed to offer an HSA in conjunction with a section 125(d) cafeteria plan.

Furthermore, HSA contributions will not only be used for qualified medical expenses, but long-term care insurance premiums, COBRA premiums, or health insurance premiums for those receiving unemployment benefits.

It is obvious that with the prior restrictions on Archer MSA's being removed, that there will be more public awareness of this attractive way for everyone to pay for some of their health care needs on a tax-free basis.

We may see a rush from insurance companies and banks to capitalize on these less restrictive MSA-like products.

Anyone who is uninsured, and in reasonable health, may find it easier to obtain coverage utilizing this high deductible concept.

Some insurers, in fact, will often take a more liberal underwriting stance when a higher deductible is chosen.

Now couple this with a feature that has tax-deductible contributions as well as tax-free withdrawals and you have what some nay sayers have described as your own tax-shelter.

There has definitely been a great deal of discussion as to consumer-directed health care and putting more control in the hands of employees or people in general.

And I am sure that these HSA's will have an immediate impact on lowering health insurance premiums, thus making it more affordable, thus covering more people.

But, the one thing this new "trend" won't impact that much is the actual cost of health care.

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