



Tired Of The Bleeding?
A Health Savings Account Might Stem The Flow

It's the topic du jour at many a partner's meeting — the hemorrhaging due to rapidly rising health care costs (estimated to be rising at 12-15 percent a year). There's no doubt, it's "code blue" time at many law firms. In fact, many cite the high cost of health insurance as a reason they've been loath to add staff, even as business picks up.

But there's hope for saving the patient: the Health Savings Account (HSA). Not to be confused with the old Medical Savings Account (MSA), an HSA is actually a high-deductible insurance policy tied to a special tax-advantaged savings account. The high-deductible policy cuts monthly premiums while the savings account (funded with pre-tax dollars) cuts taxes. In fact, many are calling the HSA the most tax-efficient investment vehicle available.

The accounts became available this past January, and many firms are starting to build them into their benefit plans. A survey of nearly 1,000 employers conducted recently found that three-fourths of them expect to offer HSAs for 2006.

Here's How It Works

A Health Savings Account must be set up in conjunction with a qualified health insurance policy, either straight indemnity or some kind of managed-care plan. By definition, a high deductible insurance policy is one with a minimum deductible of \$1,000 for self-only coverage and \$2,000 for family coverage, although you can opt for a family deductible as high as \$4,500 with a corresponding drop in premium price. For 2004, the maximum out-of-pocket expenses for allowed costs is 5,000 for self-only coverage and \$10,000

for family.

- Once the insurance policy is in place, you may set up a Health Savings Account and contribute up to the maximum amount of your family's deductible — to a maximum of \$2,600 for singles and \$5,150 for families.
- The money deposited, as well as the earnings, is tax-deferred. The money can then be withdrawn to cover qualified medical expenses tax-free. Unused balances roll over from year to year.
- The firm can contribute pretax money into an HSA, just as it can put money into an employee's 401(k).
- You can dip into an HSA at any age tax-free to pay for medical expenses, including deductibles, co-payments and many charges that aren't typically covered by health plans, such as over-the-counter drugs and vision and dental care (even braces for junior).

Reevaluating your firm's health care options will be time and money well spent. Contact our office today to set up an evaluation and discussion of new and emerging options.