
Folks:

Quick-Take: As the cost of healthcare explodes, along with escalating health insurance premiums, it may be time to take a second-look at funding a health savings account (HSA.) Three factors need to be addressed to determine if an HSA is appropriate vehicle for which to make tax deductible contributions.

1. **HSA Eligibility:** To be eligible to make a tax-deductible HSA contribution, an individual must be covered by a high deductible health plan (HDHP.) Specific rules govern as to what type of plan meets those HDHP requirements for 2024.

   Note that an individual cannot contribute to an HSA if he/she is enrolled in Medicare; however, an individual can still take tax-free distributions from an HSA for qualified medical expenses even if enrolled in Medicare.

   Self-Only HDHP Minimum Deductible: $1,600

   Self-Only HDHP with Minimum Out-of-Pocket Expenses: $8,050

   Family HDHP Minimum Deductible: $3,200

   Family HDHP Maximum Out-of-Pocket Expenses: $16,100

2. **HSA Contribution Rules:** An individual's contribution limit depends on their age and the type of health insurance that they have. HSA contribution limits are indexed for inflation. What follows are the HSA contribution limits for 2024:

Self-Only HDHP Under Age 55: $4,150

Self-Only HDHP Over Age 55: $5,150

Family HDHP Under Age 55: $8,300

Family HDHP Over Age 55: $9,300

3. **HSA Distribution Rules:** An individual can take tax-free distributions from his/her HSA for *qualified* medical expenses, which include those expenses of a spouse or a dependent. This is the case even if the spouse or dependent is not covered under the HSA compatible HDHP. The individual can take a tax-free distribution from an HSA to reimburse themselves for qualified medical expenses for *prior* years as long as those expenses were incurred after the HSA was established and there is proof of the previously paid health care expense.

Conclusion: If an individual maintains a high deductible health plan, they should take a close look at establishing a health saving account in light of the relatively large tax deductible contribution limits and the ability to accumulate funds in their HSA to be used in their retirement years when medical expenses are expected to be dramatically larger.

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