

Getting to know an HSA medical plan

If you're considering an HSA medical plan or are currently enrolled in one, you may already be aware of its many benefits, including pretax savings and lower per-paycheck premium costs. HSA medical plans have many positive attributes and it's helpful to understand some of the key features, particularly how the deductibles and out-of-pocket maximums work. If you will be only covering yourself, the individual deductible and out-of-pocket maximum amounts apply. If you will be covering yourself **and** dependents, it's important to remember the plan's deductibles and out-of-pocket maximums have both individual **and** family amounts to consider.

Understanding deductibles and out-of-pocket maximums

If you cover one or more family members in an HSA plan, you will generally need to meet the full **family deductible** amount before the plan begins to pay a benefit. Remember, medical and prescription expenses for all covered family members count toward the family deductible.

If a covered family member reaches the **individual out-of-pocket maximum**, then the plan pays 100% of eligible expenses for that individual for the rest of the year. For the remainder of the family, since the **family deductible** amount has been reached, the plan pays 80% of their expenses, and the family owes 20% up to the **family out-of-pocket maximum**. Then the plan will cover 100% of eligible expenses for all covered family members for the rest of the year.

Let's look at a couple of examples.

Example 1

Rachel is enrolled in HSA Select and covers her husband, Tom, and their three children.

HSA Select has the following deductible and out-of-pocket maximum amounts:

HSA Select	Deductible	Out-of-pocket maximum
Individual	\$2,000	\$4,000
Family	\$4,000	\$8,000

- Rachel and her family frequently use urgent care when they are sick or injured.
- They pay the full cost of their medical claims and reach the plan's family deductible of \$4,000 in May. At this point, the plan starts to pay 80% of the family's medical and prescription costs.
- During the summer their son, Jack, breaks his arm and needs surgery that costs \$22,000.
 - Jack has already incurred \$1,500 of medical expenses, which counted toward both the **family deductible** and Jack's **individual out-of-pocket maximum**.
 - The family would normally owe \$4,400 for Jack's surgery (20% of \$22,000) since they have met the family deductible, but Jack's individual out-of-pocket maximum is \$4,000 under the plan, so they will only need to pay \$2,500 (the difference between the \$4,000 individual out-of-pocket maximum and Jack's prior claims of \$1,500).
 - Now that Jack has met his individual out-of-pocket maximum, his claims for the remainder of the year are covered 100% by the plan.
- Claims for Rachel, Tom, and the other two children continue to be paid at 80% until they reach the family out-of-pocket maximum of \$8,000. Then claims for the entire family are paid at 100% for the rest of the year.

Example 2

Carlos is enrolled in HSA Standard and covers his wife, Maria.

HSA Standard has the following deductible and out-of-pocket maximum amounts:

HSA Standard	Deductible	Out-of-pocket maximum
Individual	\$3,000	\$6,000
Family	\$6,000	\$12,000

- During some February winter weather, Maria is in a car accident. After a series of tests completed in the ER, she is admitted to the hospital overnight.
- Maria's total hospital cost is \$20,000, and Carlos and Maria will need to first pay the \$6,000 **family deductible** for Maria's care.
 - In paying the \$6,000 for Maria's hospital costs, Carlos and Maria reach the plan's **family deductible** amount.
 - Since the **individual out-of-pocket maximum** is \$6,000, the plan pays the remaining \$14,000 of the hospital claim, as well as 100% of Maria's medical and prescription drug costs for the rest of the year.
- A few months later, Carlos is diagnosed with diabetes. Having met their family deductible, the plan will pay 80%, and Carlos will pay 20% of each of his claims.
- If Carlos and Maria reach the **family out-of-pocket maximum** of \$12,000 during the year, then all of their medical and prescription expenses will be covered 100% for the rest of the year.

IMPORTANT POINTS TO NOTE:

- In both examples, one family member (Jack or Maria) met the **individual out-of-pocket maximum**, which means the plan will pay 100% of that person's eligible expenses for the rest of the year.
- From the time the **family deductible** is met, the other covered family members pay 20% of eligible expenses until the **family out-of-pocket maximum** is reached.