

# Health Savings Accounts (HSA's) Effective January 1, 2004

## Overview of MSA vs HSA changes:

MSAs	HSAs
MSAs are limited to small employers and self-employed individuals.	HSAs can be sold to groups of any size or to any individual, as long as the appropriate high deductible health plan (HDHP) is in place.
MSA contributions are limited to 65% of the individual deductible and 75% of the family deductible.	Annual contributions to an HSA are limited to 100 percent of the amount of their annual health plan deductible (limited to \$2,600 for single coverage and \$5,150 for family coverage in 2004). Individuals age 55 or older can contribute additional amounts (\$500 in 2004).
Federal MSA HDHP deductible minimums in 2003 are \$1,700 single/\$3,350 for families.	The HDHP paired with an HSA may have a 2004 deductible as low as \$1,000 single/\$2,000 family (not yet available from Blue Cross).
The employer and employee cannot both contribute to an MSA in the same tax year.	Both employer and employee contributions can be made during the same tax year under an HSA.
Employee contributions to MSAs must be made after-tax and are deductible up to the limits.	Employee contributions can be made: <ol style="list-style-type: none"> <li>1) After-tax and deducted on the individual's annual income tax filing; or</li> <li>2) Pre-tax via salary reduction, as part of a Section 125 cafeteria plan under an HSA. This means that the employer will realize FICA/FUTA savings on employee contributions.</li> </ol>
The tax penalty for non-qualified withdrawals under age 65 from an MSA is 15% plus the normal tax rate.	The tax penalty for non-qualified withdrawals under age 65 from an HSA is 10% plus the normal tax rate.
Coverage for 213(d) eligible medical expenses and insurance premiums for the following: qualified long term care insurance, COBRA continuation, and health insurance while unemployed.	Coverage for 213(d) eligible medical expenses and insurance premiums for the following: qualified long term care insurance, COBRA continuation, and health insurance while unemployed.