

Tax Relief and Health Care Act fuels HSA explosion

Over 4 million Americans use medical savings plans

BY CLAUDE SOLNIK

The weather isn't the only thing heating up: Health insurance accounts are on fire.

New federal regulations and rocketing health insurance rates are prompting millions of employees to open health savings accounts, earmarking pre-tax earnings for medical purposes. Employees can deposit up to \$2,850 annually in HSAs for themselves and up to \$5,650 total for family members, money that can cover medical expenses through increasingly popular high-deductible plans.

Unused money can be carried over to future years, unlike money placed in flexible medical-themed spending accounts.

J. Scott Bradley, vice president at Melville-based insurance brokerage Cook, Hall & Hyde, said HSAs have done well since their 2004 introduction, but really caught on with

the December 2006 passing of the Tax Relief and Health Care Act.

"The legislation changes the regulations to make it more appetizing for the corporate market to embrace," Bradley said. "(HSAs) are growing faster than expected."

Milton J. Zuniga, a tax manager at Marcum & Kliegman in Melville, credited the legislation with putting HSAs "within the reach of more Americans." About 4.5 million Americans use HSAs, according to Washington, D.C.-based America's Health Insurance Plans, up substantially from the 3.2 million who used them in January 2006 and the 1 million in March 2005.

The new regulations let employees put the maximum allowable amount into accounts regardless of when in the year the accountants are set up. Employees also can move money into HSAs from health reimbursement accounts, flexible spending accounts and IRAs, according to the new law.

Barry Barnett, a partner at PricewaterhouseCoopers, which has Long Island operations in Melville, said employers favor these plans because people are more likely to hold the line on costs, since they keep whatever they save.

"It's their money," Barnett said. "It's 'Do I need the extra office visit if it's my money?' versus 'It's the employer's money and I don't care.' It really is employee engagement."

Barnett doesn't just preach the benefits of HSAs for workers, he uses such an account, and believes it has saved him money. "It's dramatically less for me to buy it," Barnett said. "I do look at the cost of drugs or an office visit when I go. And I think twice about it."

Barnett also said the flexibility of HSAs helps, since patients aren't limited to the vendors their employers pick. "You don't have to have your HSA with your carrier," he said. "You're not locked into the insurance carrier your company uses."