

Ask SCORE...

Counselors to Naples Area Small Businesses

SCORE Naples
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By: Gray Poehler, Business Counselor

GET AFFORDABLE HEALTH COVERAGE WITH AN HSA

QUESTION: The cost of health insurance for my small business is getting out of hand. What is your opinion of a Health Savings Account as an alternative and where can I find more information on the subject?

Douglas S., Golden Gate

ANSWER: Douglas, your question is a good one and the problem with rising health care costs recently received national attention as a focal point in contract negotiations between General Motors and the United Auto Workers union. Between 2001 and 2006, group health premiums increased by double digits each year, with the largest increases hitting small businesses, according to research by the National Federation of Independent Business (NFIB).

Business owners know that workers value their medical coverage, but are in a quandary how to continue offering the protection without cutting benefits or increasing deductibles and co-payment options. Health Savings Accounts, first introduced in 2004, offer some measure of hope.

HSAs work in Individual Retirement Account fashion, to cover out-of-pocket medical costs with tax-sheltered money. An HSA is an investment account funded by each individual, with optional contributions from your business. The accounts must be linked to a health insurance plan that has a high deductible, usually \$2500 or more. Money from the HSA pays health expenses, including dental and eye care, until the insurance kicks in.

Unspent funds carry over from year to year, so the accounts have the potential to accumulate significant balances over the years of untaxed contributions and investment gains. Employer contributions to a tax-favored HSA are exempt from payroll taxes. The companion health insurance plan premiums are less due to the high deductibles.

As medical costs soar, HSAs have become more popular among small businesses. Plan features include:

- *The 2007 HSA annual contribution limit is \$2,850 for an individual and \$5,650 for a family, regardless of the amount of the health insurance deductible. Amounts are adjusted annually to inflation.*
- *The employer, employee or both can make contributions, with the individual having control over the assets in their account.*
- *Plan providers will generally be insurance companies or banks. If your business sets up the plan, you will arrange for the employee's HSA.*
- *To be eligible, an individual must be covered by a high-deductible health plan and must not be covered by other health insurance.*

The National Association of Health Underwriters, has a helpful HSA section on its web site, with basic information on how the program works - <http://www.nahu.org/legislative/hsa2007.cfm>. Also, a list of insurance firms offering the plans and how to find an agent.

Assistance is always available from the Naples Chapter of SCORE, Counselors to America's Small Businesses. Counseling is always FREE of charge. Just call 239-430-0081 or visit www.scorenaples.org and click on "request counseling NOW as a first time client." The SCORE business office is located at 900 Goodlette Road North, in the Fifth Third branch bank building. Office hours are 9:00 am to Noon, Mondays through Fridays.

If you would like the answer to your question considered for publication in this biweekly column, please fill out the form located at www.scorenaples.org/askscore. A SCORE counselor will contact you within 48 hours. Please include your name, email address and a contact phone number.