kynect
health coverage

High-Deductible Health Plans (HDHPs)

Premiums for high-deductible health plans are lower, making the plans appealing to budget-conscious consumers. However, the tradeoff is a lot of out-of-pocket costs when you need health care. Understanding high-deductible health plans is key to making sure you aren't caught off guard when you see the doctor. To make the most of your health insurance, make sure you know your network, what your high-deductible health care plan charges for each type of visit, and how high-deductible health plan savings options, like an HSA, work.

Key takeaways

- High-deductible health insurance plans have low monthly premiums in return for a higher deductible.
- In-network care usually has a lower deductible than out-of-network care.
- A health savings account (HSA) or flexible savings account (FSA) allows you to set aside pre-tax dollars to use when you need to pay for healthcare services.
- Avoid emergency room visits unless necessary; costs are lower at a regular clinic or even urgent care.

How to save money with a high-deductible health plan

1. **Get the right level of care -** Emergency room visits are expensive, so choose another option if possible. Don't delay preventive health care services, which can prevent you from needing medical care in the future and are covered without charge on ACA plans.
2. **Shop around for health care services –** Before seeking care, you can shop in advance to check the prices of procedures and medical services. You may call providers in your area to see what they charge for various services. Explain that you have a high-deductible health plan and need help minimizing costs.
3. **Use in-network providers –** Getting care outside of your network can increase your costs substantially. A health maintenance organization (HMO) likely won't reimburse you for any out-of-network services. A preferred provider organization (PPO) may charge you double or more for out-of-network care. You may also pay a lower deductible when you receive services from health care providers who are in your network. Your

insurance company should have a provider directory or “find a doctor” tool so you can see what providers are in-network.

4. **Know what’s free –** Many routine health services intended to keep you well or catch problems early (including colonoscopies, mammograms, and vaccinations) are free in all insurance plans now. Yet only one in 10 people with high-deductible plans said they knew such screenings were free, and almost 20 percent said they avoided preventive tests because they thought they would cost them, according to a 2012 study published in the journal *Health Affairs*.
5. **Save on Medication costs –** Generics are the way to go, if possible. Pharmaceutical companies may offer their own assistance. Patient assistance programs (PAPs) are run by pharmaceutical companies and give away billions of dollars’ worth of drugs to patients who meet certain eligibility criteria. If a drug you’ve been prescribed is expensive, ask your doctor if there is a generic drug for it instead.
6. **Ask questions to reduce health care costs –** Don’t be afraid to ask your doctor about costs upfront and ask about a less expensive alternative to what your doctor recommends. Be upfront about the fact that you are trying to minimize costs due to your high-deductible health plan and need to explore the least expensive viable option.
7. **Negotiate prices –** In some cases, you can negotiate with your provider to pay a lower price for services, or you may receive a discounted price if you offer to pay your bill in cash.
8. **Set up an HSA or FSA –** There are two options to combine high-deductible health insurance plans and savings accounts. Both allow pre-tax contributions.

Health Savings Accounts (HSAs)

A health savings account (HSA) is a type of personal savings account you can set up to pay certain health care costs. An HSA allows you to put money away and withdraw it tax free, if you use it for qualified medical expenses, like deductibles, copayments, coinsurance, and more. You’re eligible to contribute to an HSA when you’re covered by certain high-deductible health plans (HDHPs). You can’t contribute to an HSA if you have Medicare coverage, or a plan that pays its share of a covered service without you having to pay deductibles or copayments first (called "first dollar coverage").

Banks, insurance companies, and other financial institutions offer HSAs. Plans listed on kynect will be labeled as HSA compatible. Once you sign up for an HSA compatible plan you will have to set up your HSA on your own through a financial institution. The money you contribute to the account isn’t taxed as long as it’s used for qualified, out-of-pocket medical costs, like:

- Acupuncture
- Ambulance costs
- Doctor visits
- Hearing aids
- Prescription drugs
- Psychological therapy/psychiatric care
- Qualified long-term care services

Sometimes, you can spend the money on similar medical costs for your spouse or dependents, and your money rolls over year-to-year if you don't spend it.

How do HSA contributions and withdrawals work?

You can only contribute to your HSA when you're enrolled in a qualified high-deductible health plan with no other coverage that disqualifies you. Anyone can contribute to your HSA, like household members, friends, and employers. There is an annual contribution limit that changes year over year. These limits may depend on the type of high-deductible health plan coverage you have (self-only or family), your age, and when you qualified for an HSA.

If you're 55 or older, you can contribute an extra $1,000 to your HSA each year. This is called a "catch-up" contribution. If your spouse is also 55 or older, they can make a catch-up contribution to their own account, if eligible, but not to yours.

The money you take from your HSA to pay for or be reimbursed for qualified medical expenses is tax free.

- If you take money before you're 65 from your HSA for non-medical costs, or medical costs that don't qualify, you'll have to pay the federal income tax and a 20% tax penalty.
- If you take funds from your HSA after you're 65 for non-medical costs, you won't have to pay the 20% tax penalty, but you'll still have to pay the federal income tax on that amount.

Also, you must stop contributing to your HSA when you enroll in any part of Medicare. But you may withdraw money from your HSA at any time to help pay for qualified medical expenses that Medicare or Medicare Supplement Insurance doesn't cover. Keep receipts for medical expenses you paid for using HSA withdrawals. You'll need them to show the HSA money was only used to pay or reimburse qualified medical expenses. It's your responsibility to keep records of your medical costs and decisions in case the Internal Revenue Service (IRS) audits you.