



Kansas Insurance Department

Sandy Praeger, Commissioner of Insurance

April 2010

For more information, contact:
bhanson@ksinsurance.org

A consumer resource from the Kansas Insurance Department

Federal Health Care Reform and Health Savings Accounts

The Patient Protection and Affordable Care Act (PPACA) does not prohibit an individual from contributing to a Health Savings Account (HSA) or discourage an individual from doing so. The minimum level of coverage required to meet the individual mandate in the PPACA was specifically designed to allow for the purchase of a qualified high deductible plan that would complement the HSA.

Background:

- Under current law, individuals with high deductible health plans may establish and make tax-deductible contributions to a health savings account.
- For 2010, the maximum annual contribution (adjusted annually) is \$3,050 for an individual and \$6,150 for a family.
- For 2010, the high deductible health plan must have an annual deductible of at least \$1,200 for an individual or \$2,400 for a family and deductibles and out-of-pocket expenses must be no more than \$5,920 for an individual and \$11,900 for a family. This limit is indexed annually.
- Employers may contribute to an individual's health savings account.
 - This contribution is excluded from income and payroll taxes.

The Patient Protection and Affordability Act makes no other changes to health savings accounts with the exception that beginning in 2011 the penalty for nonqualified distributions is increased from 10 percent to 20 percent. A nonqualified withdrawal is a withdrawal used to pay for nonqualified medical expenses as defined by the Internal Revenue Service.

While the Kansas Insurance Department regulates the insurance policy sold in conjunction with an HSA, the HSA itself is regulated under federal tax laws. You should consult your tax consultant or the Internal Revenue Service if you have questions about HSAs.

The Kansas Insurance Department, established in 1871, assists and educates consumers, regulates and reviews companies and licenses agents selling insurance products in the state. More about the department is online at www.ksinsurance.org.