FURTHER[SM]
by HealthEquity

Medical Savings Account vs. Health Savings Accounts

The benefits of converting your MSA to an HSA

Medical Savings Accounts (MSAs) are the predecessors of Health Savings Accounts (HSAs). Archer MSAs were first created in 1997 as an experimental pilot program. Their use was primarily negated when the permanent HSA program was created in 2004. The MSA pilot program was officially ended on December 31, 2007. Existing accounts can remain open but no new accounts can be set up after that date with the exception of new employees to an existing employer MSA program.

There are considerable advantages to converting an MSA to an HSA primarily related to contributions. MSA eligible health plans are also HSA eligible and managing both accounts is nearly identical. Following are important points to consider:

Increase Contribution Limit

The contribution limit of an MSA is equal to 65% (single) or 75% (family) of the associated health plan's deductible. MSA qualified health plans have set minimum and maximums as follows:

Single	Family
Min Deductible: $2650	Min Deductible: $5300
Max Deductible: $3950	Max Deductible: $7900

In both cases the contribution max is lower than an HSA plan with limits of $3850 (Single) and $7750 (Family) in 2023. Based on the contributions limits, MSA eligible health plans are always HSA eligible, so MSA users are always qualified to open an HSA and increase their contributions limits.

Single	Family
Max MSA Contribution (Min Deductible): $1722.50	Max MSA Contribution (Min Deductible): $3975
Max MSA Contribution (Max Deductible): $2567.50	Max MSA Contribution (Max Deductible): $5925
Max HSA Contribution: $3850	**Max HSA Contribution: $7750**

Contribution Flexibility

Who can contribute to an MSA is limited. Only an employer or individual can contribute to an MSA in a given year, but not both. Once the choice has been made, the other party is not eligible to contribute. A health savings account has no such limitation. Both employers and employees can contribute funds within the same period. Supplementing employer contributions with you own allows account holders to maximize their contributions and tax benefits.

Simplicity

MSA are being sun-setted by the IRS. No new MSA can be opened, and very few employers or health plans have the infrastructure to support them anymore. This means future employers might not be able to interact with your MSA, even if they offer an eligible plan, forcing you to open a separate HSA and deal with the hassle of manage both accounts. Stay ahead of this problem and convert your MSA to a better supported HSA.

California Exception

HSA contributions are excluded from Federal Income Tax and for all states except California and New Jersey. California is unique in that MSA contributions are excluded from California Income Tax Exception while HSA contributions are not. The increased HSA contribution limit may still offer the California resident an overall advantage due to the higher contribution limit and savings on a Federal level.