

## HRA's and HSA's: + Saving Money in Today's Employer Healthcare Market

Presented by:  
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Association of Plan Administrators & Consultants

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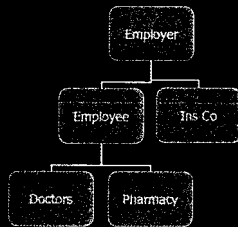
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## Current Employer Health Plans

- Employer chooses Ins Co
- Ins Co provides cheaper costs to Employees to stay in its network
- Employee decides which Dr and pharmacy



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## Considerations of employee in choosing Medical Provider

- Convenience
- Experience of Medical Provider
- Personality of Medical Provider
- Dr./Lab/Hospital- In Network (copays)
- Total Cost -IRRELEVANT due to COPAYS



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## New Direction for Healthcare

- "Consumer Driven" Healthcare-FORCE EMPLOYEES TO CARE ABOUT COST
- Employees still do not want to care about cost
- Employer wants lower premiums
- Doctors / Ins Co. want to make money



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## BENEFIT PLAN ALTERNATIVES

- Health Reimbursement Arrangement – can only be employer money
- Health Savings Account – can be both employer and employee money



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## Health Reimbursement Arrangement

- Is always all Employer contributions
- Given to employees tax-free
- Design to reduce health ins. premiums
- If money not claimed, can be returned to employer
- The more of the premium the employer provides, the better the HRA fits



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## HRA- Mimic Current Plan

- Employer raises deductible on health insurance plan
- Employer opens HRA to pay employees as if they were still on prior plan
- Employee has same benefits as they did prior to change
- Employer experiences lower premiums due to taking some risk from insurance co



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## HRA – Mimic Current Plan Example

Current Health Plan: \$500 Deductible \$20 Copay 70% after Deductible	New Health Plan: \$1,000 Deductible \$20 Copay 20% after Deductible
Current HRA: None	New HRA: \$0-\$500 Deductible HRA Pays 0% \$501-\$1,000 Deductible HRA Pays 100%



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## HRA- First Dollar Benefits

- Employer raises deductible & eliminates co-pays on health insurance plan
- Employer opens HRA to pay employees a certain dollar amount of cost
- Employer experiences lower premiums due to taking some risk from insurance co



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## HRA Sample– First Dollar Example

Current Health Plan: \$500 Deductible \$20 Copay 20% after Deductible	New Health Plan: \$1,000 Deductible 20% after Deductible
Current HRA: None	New HRA: \$0-\$500 Deductible HRA Pays 100% \$501-\$1,000 Deductible HRA Pays 0%




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## Health Savings Account

- Employer and/or Employee money
- Can Help Reduce Premiums
- Minimal Administration for Employer
- Once the money is in the HSA, belongs to the employee
- The more employee shares in cost, the better fit of an HSA




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## High Deductible Health Plan

- No copays EXCEPT:
- First Dollar coverage for Accidents, Disability, Dental, Vision, Preventive Care, Limited FSA's, and Long Term Care
- Prescriptions????
- Self Only Deductible - \$1,050 for 2006
- Family Deductible - \$2,100 for 2006




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## HSA Eligible Individual

- Covered under a High Deductible Health Plan on 1<sup>st</sup> day of month
- Not covered by any other first dollar health plan
- Not Enrolled in Medicare
- May Not Be Claimed as a Dependent on Tax Return



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## HSA– Single Contribution

- Employer raises deductible & reduce copays by going to HDHP
- Employee opens HSA to contribute tax free into the account
- Employer contributes a certain dollar amount into the account
- The total annual contribution limit for Self - \$2,700 and Family \$5,450



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## HSA – Single Contribution Example

Current Health Plan: \$500 Deductible \$20 Copay 20% after Deductible	New Health Plan: \$1,500 Deductible 20% after Deductible
Current HSA: None	New HSA: \$500 Employer Contribution



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## HSA– Matching Contribution

- Employer raises deductible & reduce copays by going to HDHP
- Employee opens HSA to contribute tax free into the account
- Employer contributes a certain percentage of the Employee's contribution up to a maximum amount
- The total annual contribution limit for Self - \$2,700 and Family \$5,450




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## HSA – Matching Contribution Example

Current Health Plan: \$500 Deductible \$20 Copay 20% after Deductible	New Health Plan: \$1,500 Deductible 20% after Deductible
Current HSA: None	New HSA: \$0-\$1,000 Employer Contribution Employer matches EE Contribution up to \$1,000




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## BENEFIT PLAN EVALUATION

- Research current employer health plan premium quotes
- Calculate the savings by reducing benefits for several options
- Use the amount of savings as the basis for an HRA/HSA
- HRA's only-Take into consideration not all the money will be claimed (Use claim history to make estimate.)




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## Evaluation -Example

Current Health Plan:	New HDHP Plan:	Savings & Enrolled:
EE \$350	EE \$200	EE \$150 X 10
EE + Sp \$450	EE + Sp \$300	EE + Sp \$150 X 10
EE + Dep \$400	EE + Dep \$250	EE + Dep \$150 X 8
Family \$650	Family \$450	Family \$200 X 15
Savings:	Total Savings:	HRA/HSA Funds:
EE \$3000	\$8,700 X	\$104,400 for
EE + Sp \$1500	12 months =	53 Enrollees
EE + Dep \$1200		
Family \$3000		




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## HRA and HSA Summary

- Very flexible
- Lower premiums
- Make employees more aware of costs
- Use savings from premium reduction to pay for HRA or HSA contributions
- Endless amount of combinations
- Each employer's ideal answer will be different




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## Healthcare Statistics Questions

1. What percentage of Americans under age 65 were covered by employer-based health insurance in 2003?  
- d. 67%

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## Healthcare Statistics Questions

- 2. What percentage of health care expenditures were paid by private health insurance in 2004?  
- c. 36%

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## Healthcare Statistics Questions

- 3. What is the average annual growth rates of private health insurance premiums for the period from 2000 – 2004?  
- b. 9%

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## Healthcare Statistics Questions

- 4. In 2002, what percentage of uninsured children lived in a family with at least one adult working full-time?  
- c. 75%

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## Healthcare Statistics Questions

- 5. Health care expenditures in the US in 2004 were more than \_\_\_\_\_ times the expenditures in 1980.  
- d. 7

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Thank you for attending!!

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# FLEXIBLE BENEFIT PLAN ALTERNATIVES

	Flexible Spending Account	Health Reimbursement Arrangement	Health Savings Account
<b>Eligible Person</b>	Employee, Spouse, and Dependents	Employee, Spouse, and Dependents	Non-Medicare Eligible - Individuals, Business Owners, Spouse, and Dependents
<b>Excluded Persons</b>	Owners & Spouses of S-Corp, LLC, LLP, Partnership Sole Proprietor (employed spouse may be eligible) Can exclude others as long as not discriminatory for key employees	Owners & Spouses S-Corp, LLC, LLP, Partnership Sole Proprietor (employed spouse may be eligible) Can exclude others as long as not discriminatory for key	Medicare Eligible Persons (Cannot Fund HSA but can continue to claim money they have already set aside in HSA acc't)
<b>Eligible Medical Expenses</b>	All Eligible Code 213 Medical Expenses (if elected by employer)	All Eligible Code 213 Medical Expenses (if elected by employer)	All Eligible Code 213 Medical Expenses
<b>Eligible Premiums</b>	Cannot reimburse any Health Related Premiums	Can reimburse all Health Related Insurance Premiums (if elected by employer)	Cannot reimburse health related premiums except long term care insurance premiums and health insurance premiums while unemployed
<b>Who Sets the Rules</b>	Employer	Employer	IRS
<b>Allowed Insurance</b>	All Insurances	All Insurances	Must Own High Deductible Health Plan Can Also own: Long Term Care Insurance, Specific Illness, Dental, Vision, Accident, Hospital Income & Critical Illness
<b>Who Can Fund Plan</b>	Employer and/or Employee	Employer Only	Individual, Employer and/or Employee

	Flexible Spending Account	Health Reimbursement Arrangement	Health Savings Account
<b>Funding Requirements</b>	No Pre-Funding Required	No Pre-Funding Required	Must be funded to trust account - Limited to: Single - \$2,700 Family - \$5,450
<b>Can the Plan be Funded with Employee Salary Reductions?</b>	Yes	No	Yes
<b>How are the Dollars Paid?</b>	After Claim has been Filed and Approved for Payment - Paid up to the amount elected as soon as claim is filed and approved Medical - Dependent Care - Paid up to the amount employee has contributed as soon as claim is filed and approved	After Claim has been Filed and Approved for Payment	Available to the Individual/Employee as Soon as Paid into Account
<b>Third Party Claim Adjudication</b>	Always required - copays may be electronically accepted with debit card	Always required - copays may be electronically accepted with debit card	No
<b>Can Dollars Be Carried Forward?</b>	No - unused dollars are retained by employer	Depends on Employer's Plan Design	Carry Forward always Allowed - Dollars Belong to Individual/Employee
<b>Can Dollars Be Used for Other than Medical Reasons?</b>	No	No	Yes, prior to age 65, 10% penalty and taxes; after age 65, taxes only no penalty
<b>Is COBRA Required?</b>	Yes- generally if Positive Balance in Medical	Yes	No-HSA account is owned by individual/employee HDHP will be eligible for COBRA

For additional information regarding your employer flexible benefit account alternatives,  
please contact us at 254-741-6688



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