

M₃A₁K₅E₁₃ T₁H₄E₁ R₁I₁G₃H₄T₁ B₃E₁N₁E₁F₄I₁T



**Consumer Driven Health Plan
Solutions for Employee Benefits**

BeneAlternatives



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Convert Premiums Into Assets

Wealth Accumulation

Preservation of Capital

What We Know

Features		HSA
Plan Design	Coverage Requirements	Minimum Deductible Single \$1,050 / Family \$2,100 Maximum Out-of-Pocket Single \$5,250 / Family \$10,500
Accumulation	Can It Roll Over?	Yes
	Is It Portable Upon Termination?	Yes
Funding	Who Funds It?	Employee or Employer
	Who Owns It?	Employee
	Maximum Annual Contributions	Lesser of Deductible or \$2,700 Single per Year \$5,450 Family per Year Plus Additional Amounts For Catch-Up Allowed For Ages 55 and Above

In 2006, \$700 Individual Catch-Up Contribution (Total \$3,400)

What fits best?

SOME DIFFERENCES BETWEEN HRA & HSA

DIFFERENT PLAN DESIGNS	
PLAN FLEXIBILITY	ADVANTAGE
HRA	X
HSA	

SAME PLAN DESIGNS	
PLAN FLEXIBILITY	ADVANTAGE
HRA	EQUAL
HSA	

MONTHLY PREMIUMS		ADVANTAGE
HRA	\$298	
HSA	\$257	X

MONTHLY PREMIUMS		ADVANTAGE
HRA	\$257	EQUAL
HSA	\$257	

EMPLOYEE FUNDING		ADVANTAGE
HRA		
HSA		X

EMPLOYEE FUNDING		ADVANTAGE
HRA		
HSA		X

ROLLOVERS *	EMPLOYER ADVANTAGE	EMPLOYEE ADVANTAGE
HRA	X	
HSA		X

ALLOW FULL ROLLOVERS	EMPLOYER ADVANTAGE	EMPLOYER ADVANTAGE
HRA	EQUAL	
HSA		

* EMPLOYER CAN USE A COMBINATION OF HSA AND POST DEDUCTIBLE HRA TO RETAIN SOME FUNDS AND STILL ENCOURAGE CONSUMERISM.

SO WHAT ARE THE DIFFERENCES ONCE PLAN DESIGN, PREMIUMS AND ROLLOVERS ARE EQUAL?

EMPLOYEE CAN FUND HSA

EMPLOYER GAINS FICA SAVINGS FROM EMPLOYEE FUNDING HSA

EMPLOYEE OWNS FUNDS BEFORE & AFTER TERMINATION - ENCOURAGES SAVINGS AND CONSUMERISM

Similarities Between HSA & IRA		
FEATURE	HSA	IRA*
Trust or Custodian	Yes	Yes
Tax Deductible	Yes	Yes **
Tax Free Interest	Yes	Yes
Portable/Transferable	Yes	Yes
Invest in CD's, Mutual Funds, Stock or Bonds	Yes	Yes
Tax -Free Withdrawals	Only for qualified medical expenses	After age 59 1/2
Penalty Free Withdrawal	After age 65	After age 59 1/2 ***

* Roth IRA's may differ slightly

** Income limits may apply

*** Some exceptions apply

CANNOT COMBINE HSA & IRA INTO SINGLE ACCOUNTS

Enjoy tax savings as well!

Sample of a \$500 employee funded HSA account

Tax Savings With HSA

Reduce taxable income by: **\$500**

Federal Income Tax: **15%**

Tax: **\$75.00**

FICA: **7.65%**

Tax: **\$38.25**

Total Tax Savings: \$113.25

Save **\$113.25** less in
taxes...

Assumes 15% federal tax bracket, plus 7.65% FICA

Tax Costs W/O HSA

Income needed to pay a \$500 claim: **\$646**

Reduced by Federal Income Tax: **15%**

Tax: **\$96.96**

Reduced by FICA: **7.65%**

Tax: **\$49.45**

Total Paid Taxes: \$146.41

Net Pay To Pay Claim: \$500.00

...or pay **\$146.41** in additional
earnings required to pay \$500
in claims?

Program Benefits

COMMON COMPLAIN

But I like my copays!

Examples of OTC eligible expenses under an HSA may include, but are not limited to:

- Allergy Medicine
- Antacids
- Bactine, BenGay, Tiger Balm, Calamine Lotion , etc.
- Bandaids/Bandages
- Cold Medicines
- Contact Lens Cleaning Solution
- Cough Drops
- Nasal Sinus Sprays
- Pain Reliever
- Rubbing Alcohol
- Sinus Medications
- Throat Lozenges
- Visine and other such eye products
- And many more

SEVERAL PRESCRIBED MEDICINES LIKE ZANTAC AND CLARITIN ARE NOW OVER THE COUNTER AND NOT ELIGIBLE UNDER A PRESCRIPTION COPAY PLAN!

CO-PAYS AND ELIGIBLE OTC DRUGS DO NOT APPLY TOWARDS DEDUCTIBLES IN TRADITIONAL PLANS

Frequency	Service	Type	Co-pay	Annual Cost
12	Prescriptions	i.e. Birth control	\$15	\$180
6	Prescriptions	Other	\$15	\$90
4	Doctors	Visits	\$20	\$80
2 days	Hospitals	All	\$1,000 *	\$1,000
Various	Drugs	Over-The-Counter	\$300	\$300

***Total Annual Expenditures* \$1,650**

* Two days in hospital. plan with \$500 co-pay for first three days in hospital.

**HOW MANY CO-PAY DOLLARS ARE LOST?
THEY APPLY TOWARDS DEDUCTIBLE IN HSA!**

Ask the question?

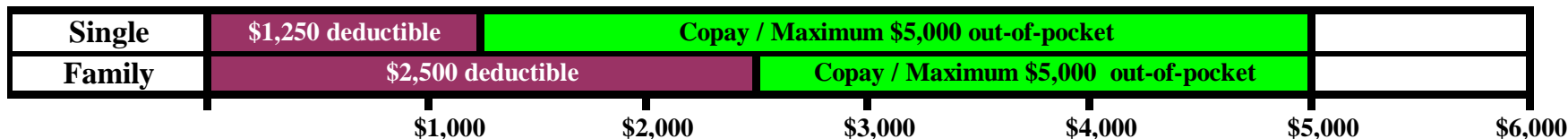
HOW MUCH DID YOU SPEND ON CO-PAYS & ELIGIBLE OTC DRUGS LAST YEAR?

Frequency	Service	Type	Co-pay	Annual Cost
	Prescriptions			
	Doctors			
	Hospitals			
	Others (i.e. ER)			
	Eligible OTC drugs			

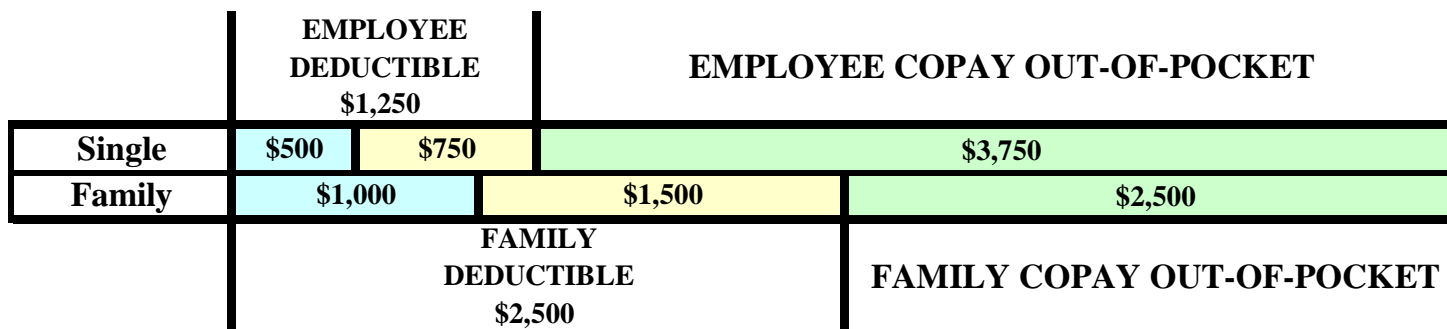
***Total Annual Expenditures* \$ _____**

Sample Program w/Simple Funding

SAMPLE PLAN DESIGN DEDUCTIBLES & COPAYS



FUNDING TECHNIQUES



Employee Employer

WHO OWNS FUNDS?

Employee
HSA

Employer
HSA

Employee keeps unused funds

Employer could fund amounts above deductible with post deductible HRA or FSA.

Employee could fund amounts above the deductible with post deductible FSA (use-it-or-lose it).

Plan Combinations / Maximums

HSA Contributions Rules

	DEDUCTIBLE	OUT-OF-POCKET MAXIMUM	MAXIMUM HSA DEPOSIT (2006)
SINGLE COVERAGE	\$1,050	\$5,250	\$1,050
	\$1,500	\$5,250	\$1,500
	\$2,000	\$5,250	\$2,000
	\$2,500	\$5,250	\$2,500
	\$3,000	\$5,250	\$2,700
FAMILY COVERAGE	\$2,100	\$10,500	\$2,100
	\$3,000	\$10,500	\$3,000
	\$4,000	\$10,500	\$4,000
	\$5,000	\$10,500	\$5,000
	\$6,000	\$10,500	\$5,450

Plus catch-up contributions if over age 55

Transferring Premiums To Assets

Costs Analysis

True Costs With Typical Out-of-Pocket Expenses Samples

TYPICAL ANALYSIS OF CURRENT PLAN (NO EMPLOYER/EMPLOYEE FUNDS)

PREMIUM	EE	EE/SP	EE/CHILD	FAMILY
MY ANNUAL PREMIUM:	\$0.00	\$5,871.36	\$4,751.04	\$10,358.16
POTENTIAL OUT-OF-POCKET	EE	EE/SP	EE/CHILD	FAMILY
DOCTOR VISITS, PRESCRIPTIONS, OVER-THE-COUNTER DRUGS, DENTAL, & MISC.	\$475.00	\$645.00	\$690.00	\$860.00
ANNUAL COST ANALYSIS OF CURRENT PLAN:	EE	EE/SP	EE/CHILD	FAMILY
MY ANNUAL PREMIUM:	\$0.00	\$5,871.36	\$4,751.04	\$10,358.16
PLUS POTENTIAL OUT-OF-POCKET EXPENSES:	\$475.00	\$645.00	\$690.00	\$860.00
PLUS INVESTMENTS:	\$0.00	\$0.00	\$0.00	\$0.00
PLUS TAX SAVINGS	\$0.00	\$0.00	\$0.00	\$0.00
NET COST:	\$475.00	\$6,516.36	\$5,441.04	\$11,218.16

TYPICAL ANALYSIS OF HSA (YES EMPLOYER/EMPLOYEE FUNDS)

PREMIUM	EE	EE/SP	EE/CHILD	FAMILY
MY ANNUAL PREMIUM:	\$0.00	\$3,192.60	\$2,521.32	\$7,096.32
RETAIL\DISCOUNTED POTENTIAL OUT-OF-POCKET:	EE	EE/SP	EE/CHILD	FAMILY
DOCTOR VISITS, PRESCRIPTIONS, OVER-THE-COUNTER DRUGS, DENTAL, VISION & MISC.	\$750.00	\$1,010.00	\$886.00	\$1,295.00
ANNUAL COST ANALYSIS OF HSA:	EE	EE/SP	EE/CHILD	FAMILY
MY ANNUAL PREMIUM:	\$0.00	\$3,192.60	\$2,521.32	\$7,096.32
PLUS POTENTIAL OUT-OF-POCKET EXPENSES:	\$750.00	\$1,010.00	\$886.00	\$1,295.00
PLUS INVESTMENTS:	\$1,000.00	\$2,500.00	\$2,500.00	\$2,500.00
PLUS TAX SAVINGS	\$292.82	\$732.06	\$732.06	\$732.06
NET COST:	\$542.82	\$970.54	\$175.26	\$5,159.26

NET LOSS/GAIN

\$67.82 **\$5,545.82** **\$5,265.78** **\$6,058.90**

PLUS ADDITIONAL PREMIUM SAVINGS

\$0.00 **\$1,178.76** **\$729.72** **\$1,761.84**

BUT, IF I HAVE NO CLAIMS OR USE PERMITTED BENEFITS TO HELP OFFSET DEDUCTIBLE, I HAVE A DEPOSIT IN MY HSA ACCOUNT ROLLING FORWARD OF:

\$1,000.00 **\$2,500.00** **\$2,500.00** **\$2,500.00**

Costs Analysis

TYPICAL ANALYSIS OF CURRENT PLAN		
SINGLE EMPLOYEE	NOW	HSA
PREMIUM	EE	EE
MY ANNUAL PREMIUM:	\$0.00	\$0.00
POTENTIAL OUT-OF-POCKET	EE	EE
DOCTOR VISITS, PRESCRIPTIONS, OVER-THE-COUNTER DRUGS, DENTAL, & MISC.	\$475.00	\$750.00
ANNUAL COST ANALYSIS OF CURRENT PLAN:	EE	EE
MY ANNUAL PREMIUM:	\$0.00	\$0.00
PLUS POTENTIAL OUT-OF-POCKET EXPENSES:	\$475.00	\$750.00
PLUS INVESTMENTS:	\$0.00	\$1,000.00
PLUS TAX SAVINGS	\$0.00	\$292.82
NET COST:	\$475.00	\$542.82

NET LOSS/GAIN	\$1,017.82
PLUS ADDITIONAL PREMIUM SAVINGS	\$0.00

<u>BUT</u> , IF I HAVE NO CLAIMS OR USE PERMITTED BENEFITS TO HELP OFFSET DEDUCTIBLE, I HAVE A DEPOSIT IN MY HSA ACCOUNT ROLLING FORWARD OF:	\$1,000.00
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WORSE CASE ANALYSIS OF CURRENT PLAN		
SINGLE EMPLOYEE	NOW	HSA
PREMIUM	EE	EE
MY ANNUAL PREMIUM:	\$0.00	\$0.00
POTENTIAL OUT-OF-POCKET	EE	EE
DOCTOR VISITS, PRESCRIPTIONS, OVER-THE-COUNTER DRUGS, DENTAL, & MISC.	\$1,500.00	\$2,000.00
ANNUAL COST ANALYSIS OF CURRENT PLAN:	EE	EE
MY ANNUAL PREMIUM:	\$0.00	\$0.00
PLUS POTENTIAL OUT-OF-POCKET EXPENSES:	\$1,500.00	\$2,000.00
PLUS INVESTMENTS:	\$0.00	\$1,000.00
PLUS TAX SAVINGS	\$0.00	\$292.82
NET COST:	\$1,500.00	\$707.18

NET LOSS/GAIN	\$792.82
PLUS ADDITIONAL PREMIUM SAVINGS	\$0.00

<u>BUT</u> , IF I HAVE NO CLAIMS OR USE PERMITTED BENEFITS TO HELP OFFSET DEDUCTIBLE, I HAVE A DEPOSIT IN MY HSA ACCOUNT ROLLING FORWARD OF:	\$1,000.00
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**Individual
Presentation**

**EMPLOYEE
MUST
UNDERSTAND
THE
BENEFITS
...AND THEE
WILL
ENROLL!!!**

FSA & HRA with limited purpose arrangements

FSA & HRA with post-deductible arrangements

Discussed earlier

Suspended HRA

Retirement HRA



Primarily used to manage existing HRA's since both cannot coexist at the same time

Use Permitted Programs to Offset Deductibles and Co-Pays and Allow Greater Dollars to Carry Forward

Permitted Plans – Dental, Vision, Plan Design Limited to a specified disease or illness, cancer, diabetes, asthma, congestive heart failure, accidental benefits, insurance paying a fixed amount per day (or other) period of hospitalization

These benefits may be provided whether or not the HDHP deductible has been satisfied

WHY USE HSA FUNDS TO PAY DENTAL AND VISION EXPENSES WHEN THEY CAN BE REIMBURSED WITH A VOLUNTARY OR TRADITIONAL DENTAL AND VISION PLAN?

