



Health Account Series – PART 2

HSAs are not one size fits all.



Today's Speakers



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Welcome

Goals for this Session

1. Account Basics: What are the rules to know regarding account layer?
2. Making the business case for a multi-account strategy.
3. How it works in practice.

1

Account Basics

What are the rules to know?

Three Core Accounts to Consider

- Requires HSA-compatible health plans
- Individually owned accounts, earn interest or can be invested.

Health Savings Accounts



- Typically, funded by the employee through pre-tax dollars
- Limited options to handling remaining funds.

Flexible Spending Accounts

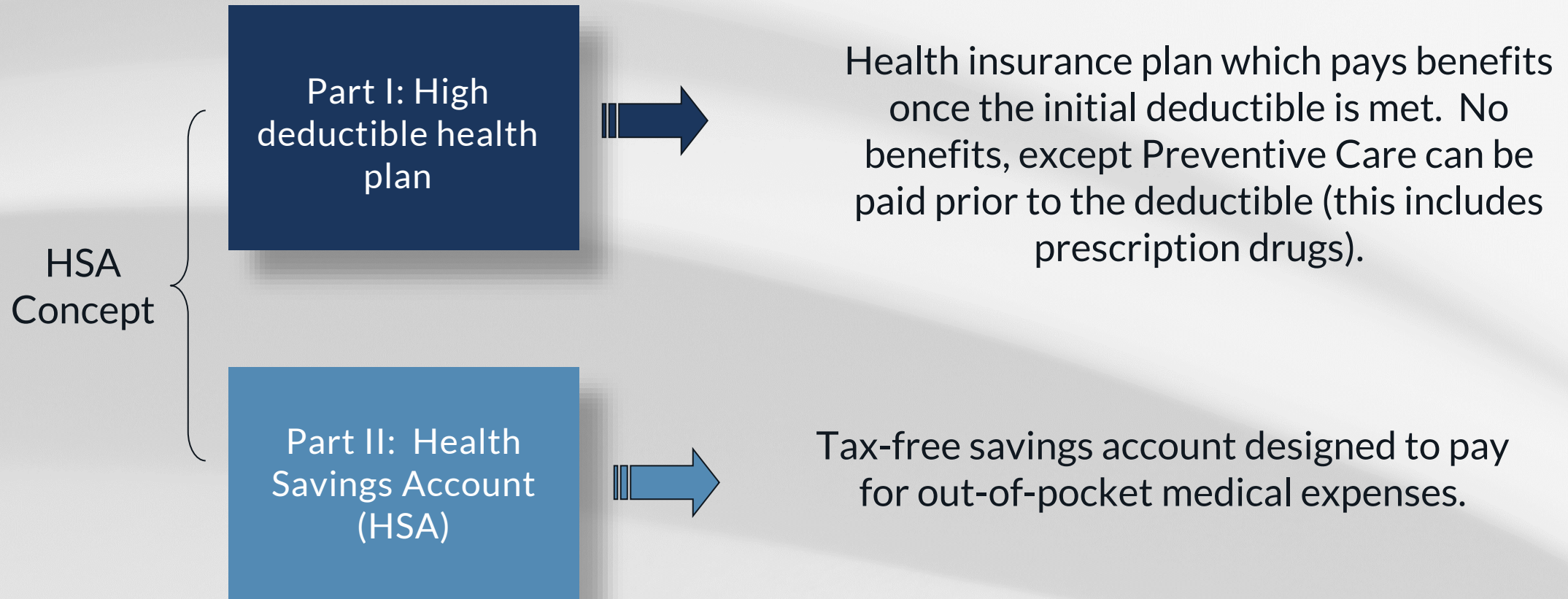


- Employer-funded
- Employer defines most rules on its use.
- Typically, must be offered with integrated group health plan.

Health Reimbursement Accounts



Basic HSA Concept



Key Advantages of an HSA

**FUNDS ROLL OVER
YEAR TO YEAR**

- There is no use-or-lose provision, so it avoids wasteful spending.

**TRIPLE TAX BENEFITS – CONTRIBUTIONS,
EARNINGS AND WITHDRAWALS**

- Best tax-advantaged account that exists.

**EARNS INTEREST OR
CAN BE INVESTED**

- Provides a supplement to retirement savings.

**TAX-FREE WITHDRAWALS FOR ELIGIBLE
MEDICAL EXPENSES, EVEN IF COVERAGE
ENDS**

- You continue to benefit from the account and savings which have built up.

**YOU CONTROL HOW
FUNDS ARE SPENT**

- This leads to educated decision-making and reduces overall spending.

Who is eligible for an HSA?

1. Covered by an HSA-compatible health plan (as defined by the IRS)
2. Not covered by any ineligible coverage
3. Not claimed as a dependent on another person's tax return
4. Not enrolled in Medicare



What are common ‘eligibility’ issues?

- **Over coverage**

- Any “medical” benefits received prior to the deductible, which are not preventive care. Other coverage includes:

Coverage from spouse (including FSA, HRA)

Third-party coverage (VA, Tricare, Medicaid)

Disqualifying coverages (prescription drug rider, etc)

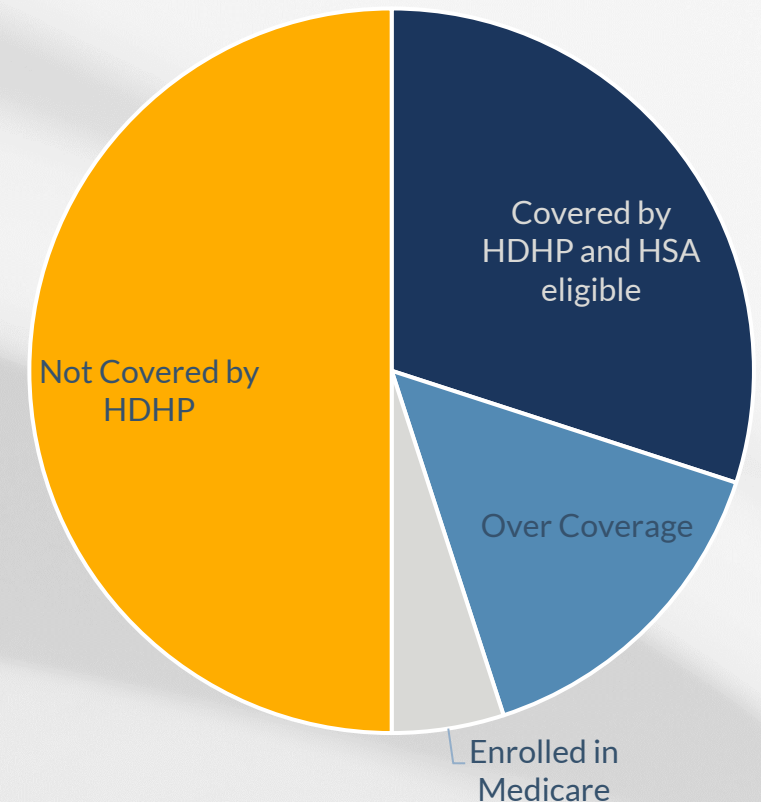
Subsidized employer services (i.e. on-site clinic)

- **Employees enrolled in Medicare**

- Includes “auto-enrollment” in Part A
- Special “lookback” periods if you delay coverage initially

- **State-mandates for coverage which must be covered prior to the deductible**

U.S. Workforce



What are some forms of acceptable coverage while remaining HSA eligible?

- **Restricted use accounts**

- A limited purpose FSA or HRA
- A post-deductible FSA or HRA
- Suspended HRA
- Retiree HSA

- **Ancillary or voluntary benefits**

- Accident, disability or specified disease coverage
- Dental and vision insurance
- Discount card program

- **Limited and/or accepted benefits**

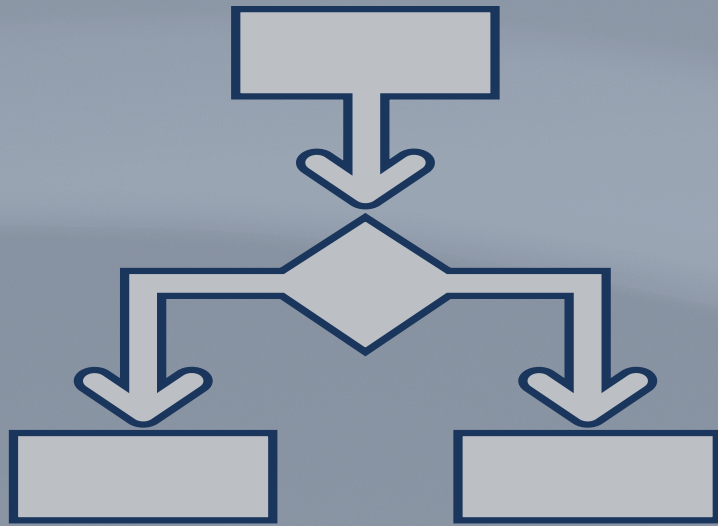
- Vaccination clinics / services
- Telemedicine (approved through 2024)



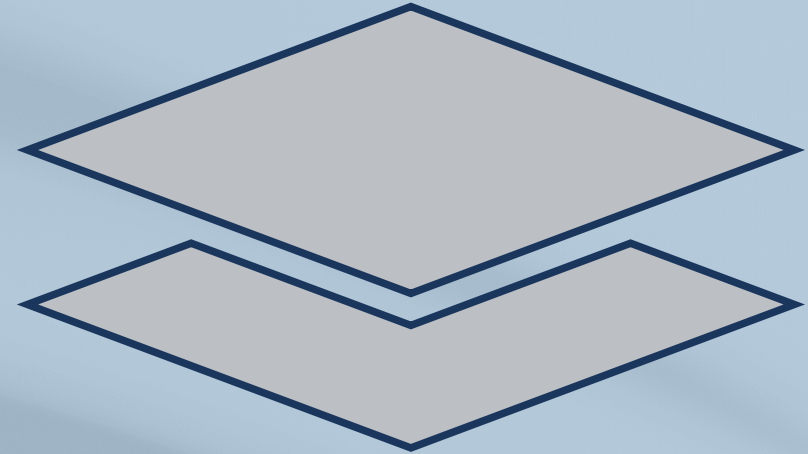
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Making the business case for a multi-account strategy.

Two opportunities for employers



1. Offer employees
account choice



2. Permit employees
to take advantage of
multiple accounts at
same time

Why offer employees choice?



Alternative plan offerings

Eligibility issues

Cash flow concerns for employees

Drive adoption in HDHP

Why offer multiple options?

Ease transition from FSA to HSA

Preserve HSA for medical expenses (instead of dental/vision)

Manage back-end deductible risk for most vulnerable employees

Opportunity to manage employer cash outlay



How does employee choice work?

- There is often the mindset that you must offer the HSA (and only the HSA) with an HSA-qualified health plan
- Separating the health plan decision from the account funding decision creates an opportunity to drive plan adoption



Multiple Accounts

HSA with Limited purpose FSA (and rollover)

APPROACH:

- Employees elect HSA deductions and Limited FSA deductions



ADVANTAGES:

- Seamlessly transition from an FSA to HSA without loss of funds or impact to HSA eligibility.
- Additional savings for employees and employers
- Financing tool for employees --the full Limited FSA election is available on the first day of the plan year to pay for dental and vision expenses.

It all adds up...



\$5,000 - \$6,000

Average Othodonia Treatment Source: Healthline.com

\$978

Avg. Dental Care Costs (w/ insurance)

Source: CigneDentalPlans.com



\$184-369

Median price of glasses

\$480 - 720

Median price for disposable contacts annually

Source: All About Vision

Multiple Accounts

HSA plan with post-deductible HRA

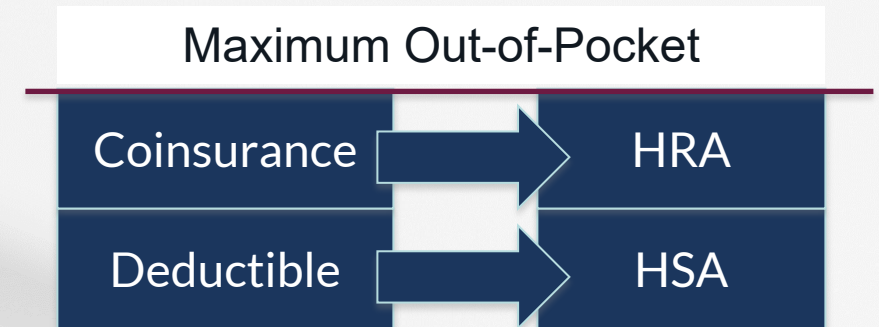
APPROACH:

- Employees fund the HSA to pay for deductible expenses and other out-of-pocket medical expenses.
- The HRA begins to pay benefits once a minimum deductible has been met. (This could be the plan deductible or HSA statutory deductible requirements.)

ADVANTAGES:

- Employer funding can be allocated to the employees that need it most.
- Employees have increased confidence as their “risk” for a paying a large expense is reduced.

Approach A: Reduce co-insurance exposure

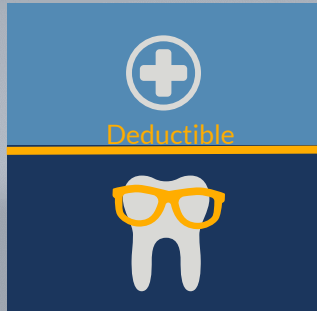


Approach B: Reduce “high deductible” impact



Multiple Accounts

Other account options



Limited / Post-deductible FSA or HRA

Advantage: Provides maximum use of account while remaining HSA eligible.



Suspended HRA

Advantage: Allows employees to “suspend” use and contributions to an HRA while contributing to an HSA.



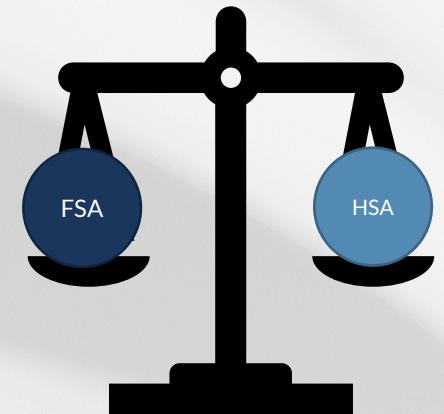
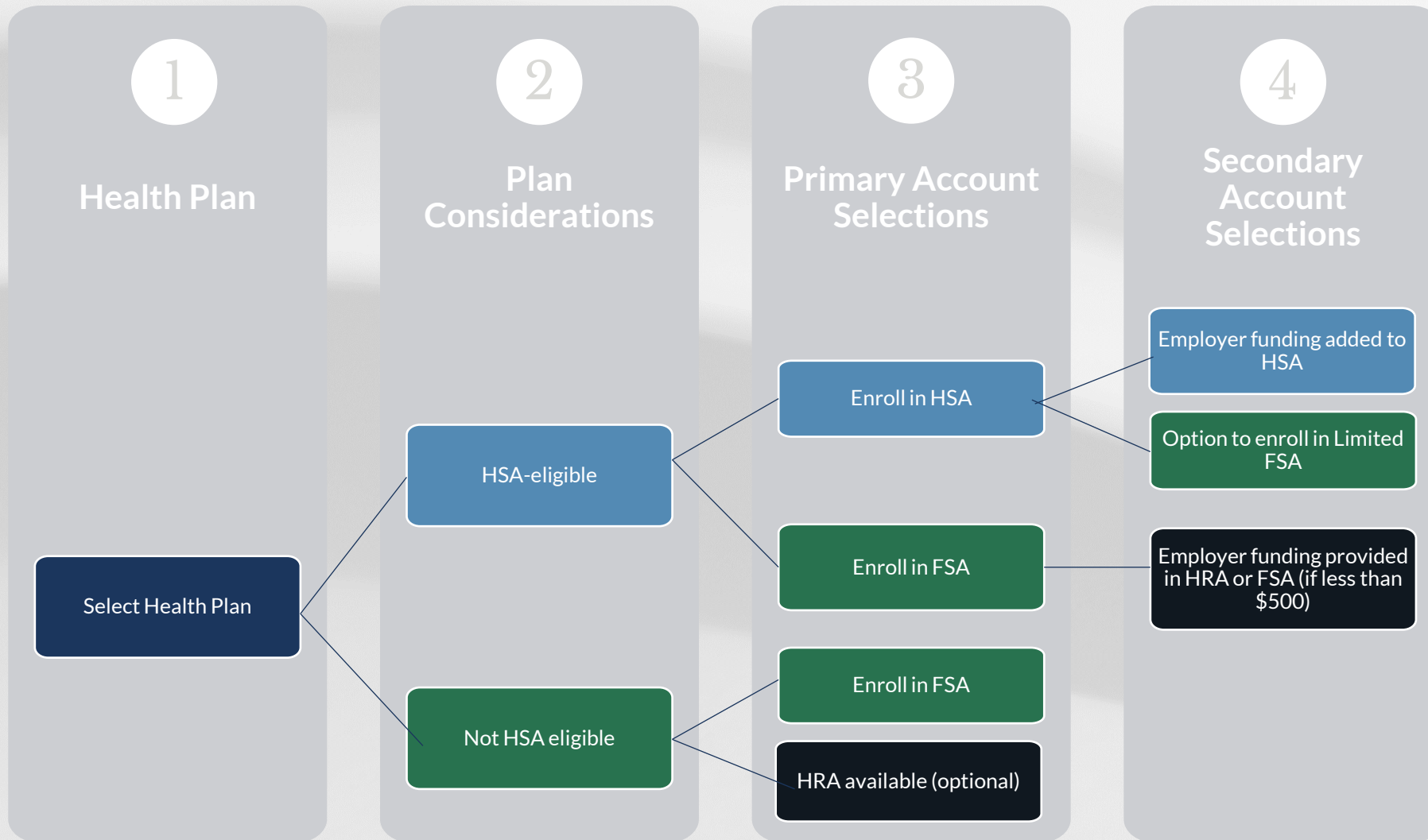
Retiree HRA

Advantage: Allows employees to accumulate contributions in an HRA for future use without affecting ability to contribute to and use HSA for today.

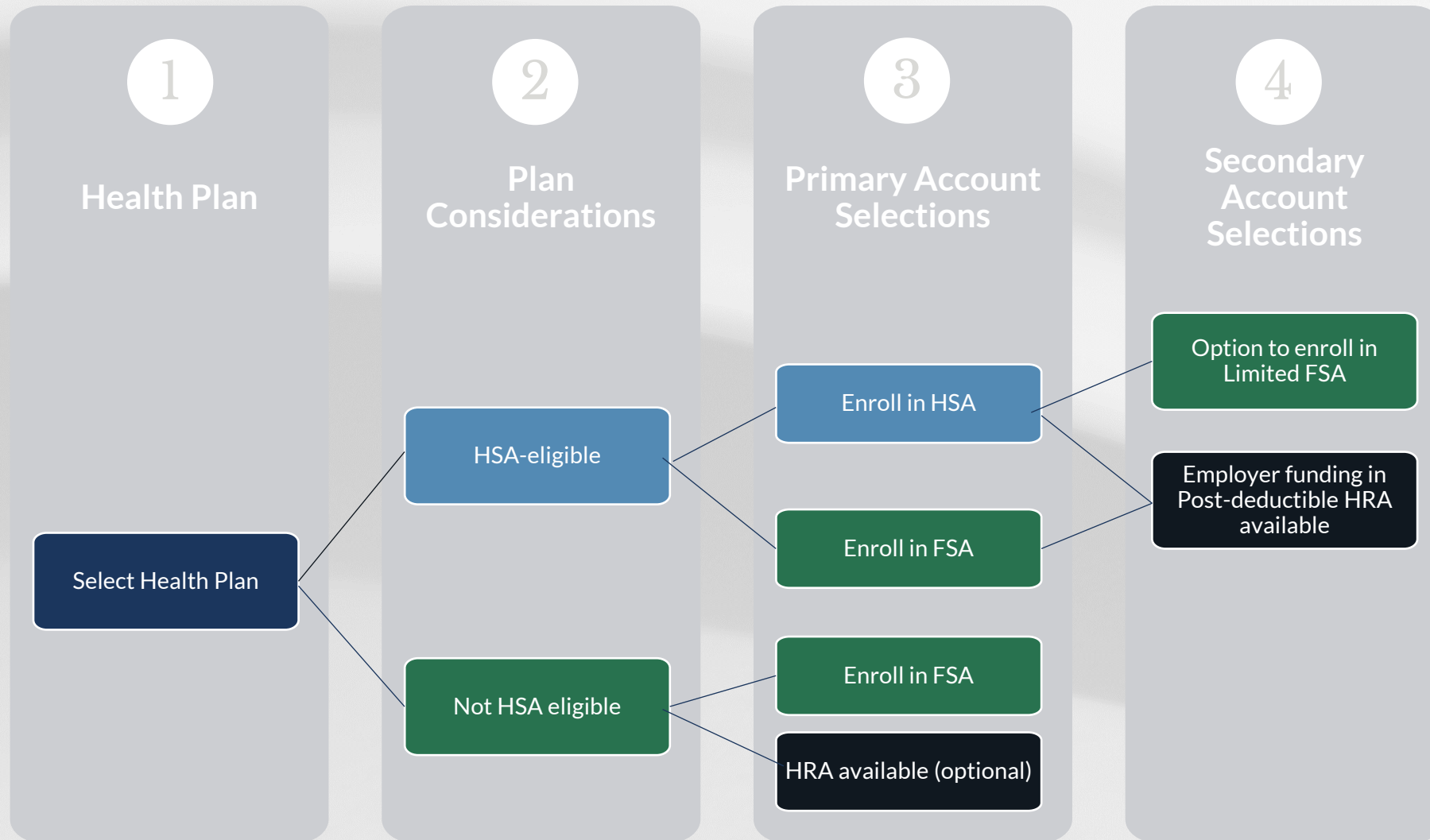
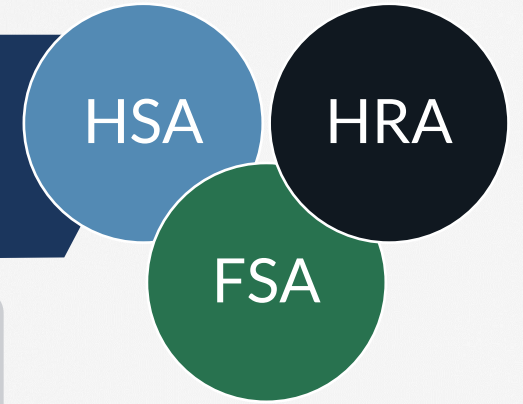
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How it works in practice?

Basic: Limited FSA & Choice



Advanced: Layered-accounts



Case Study: Drive HDHP Adoption

Challenges:

- Facing 25-35% rate increases
- Low enrollment in HDHP
- Moved from community rating to experience rated

Actions Taken:

- Committed to multi-year strategy to drive participation in HDHP
- Employer funding provided. Gave employees choice between FSA and HSA
- Permitted FSA rollover to Limited FSA to aid in transitioning
- Required active enrollment

Key Education and Communication Strategies:

- Side-by-side comparison of the cost and savings under each plan.
- Leveraged decision support tool to help employees see how plans would work for them
- One-on-one consultations to “show the math” for final employees remaining on co-pay plan

Location:

Upstate, New York

Industry:

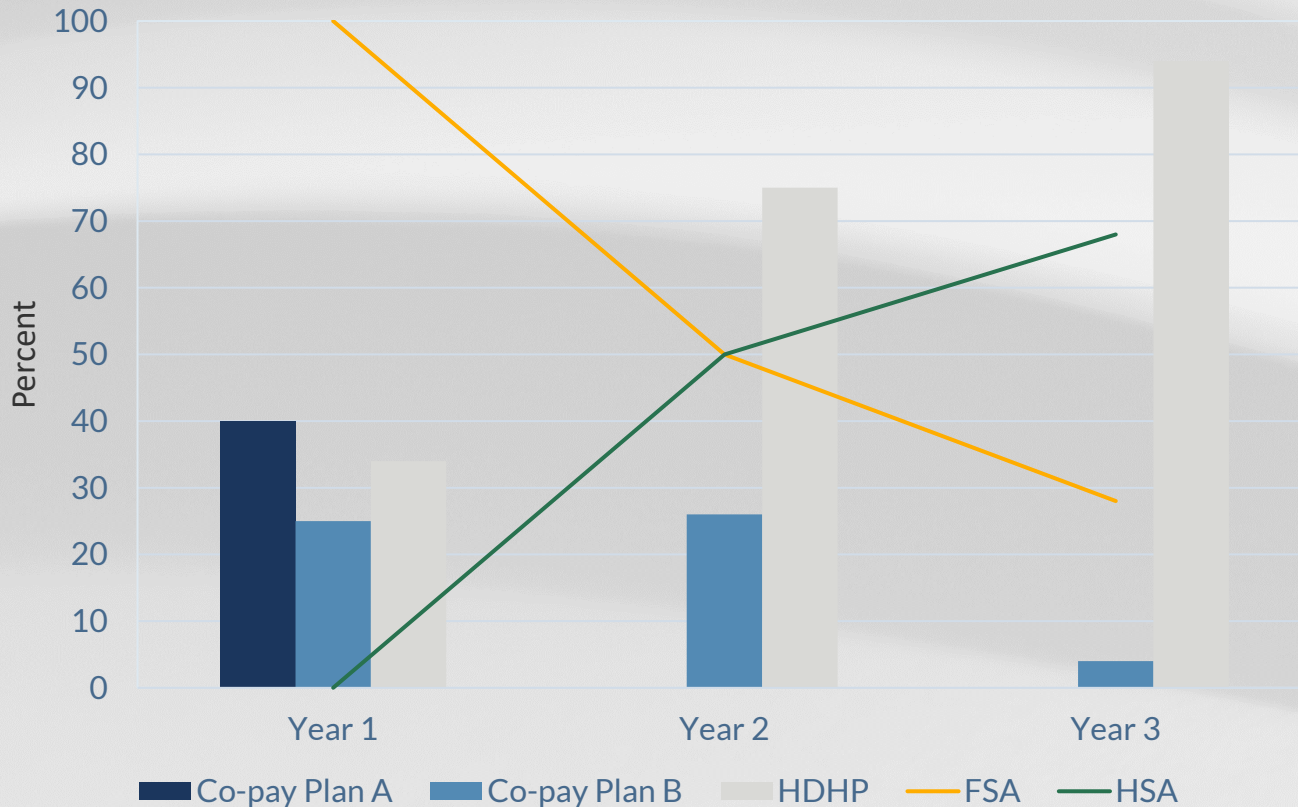
Business Services

Eligible Employees:

Grew from 90 to 150+

Case Study: The Results

Plan and Account Enrollment Results



1

Progressive enrollment in HDHP
34% → 74% → 92%

2

Shift to HSA Enrollment
0% → 50% → 68%

3

Stabilized premium increases
25-35% → ~10%

4

Build HSA balances for future
Avg. \$3,637

How can BRI help?



1

Review **plan offerings** to determine if a multi-account strategy makes sense.

2

Discuss opportunities for **increasing adoption**

3

Target behaviors to **optimize plan utilization**

Quick Recap



1. **Account basics: What to know and how they work together**
 - HSAs – Can only be offered with HSA-compatible coverages
 - FSAs – Typically, employee-funding with first dollar coverage
 - HRAs – Employer-funded and controlled
2. **Making the business case for a multi-account strategy**
 1. Offer employee choice
 2. Leverage multiple accounts
3. **How it works in practice?**
 1. Limited FSA
 2. Post-deductible HRA



Join Us

Health Account Outlook Series

Part 1: Leverage employee insights for a more strategic approach to health accounts.

Special Guest: Itamar Romanini, HSAStore

Part 2: HSAs are not one size fits all. -- March 7

Part 3: The Hidden Challenges (and Opportunities) of HSAs. – March 21

Special Guest: William Stuart, nationally recognized expert on reimbursement account strategy and author Your Health Savings Academy

Part 4: Helping Employees Navigate Increasing Costs in 2023 – April 12

Special Guest: Elaine Harkins, Mastercard

Register at: <https://www.gotostage.com/channel/bri-outlook>



Thank You!

ANY QUESTIONS?