



HealthFlex Summit—October 2019



Wespath
BENEFITS | INVESTMENTS

Promoting Health Savings Accounts for HealthFlex Exchange

Agenda

- HealthFlex Exchange: The Case for HSA Plans
- Differences in HealthFlex HSA Plans
- HSA Advantages
- Maximizing HSAs
- HSA Utilization Scenarios/Examples
- What Can You Do?



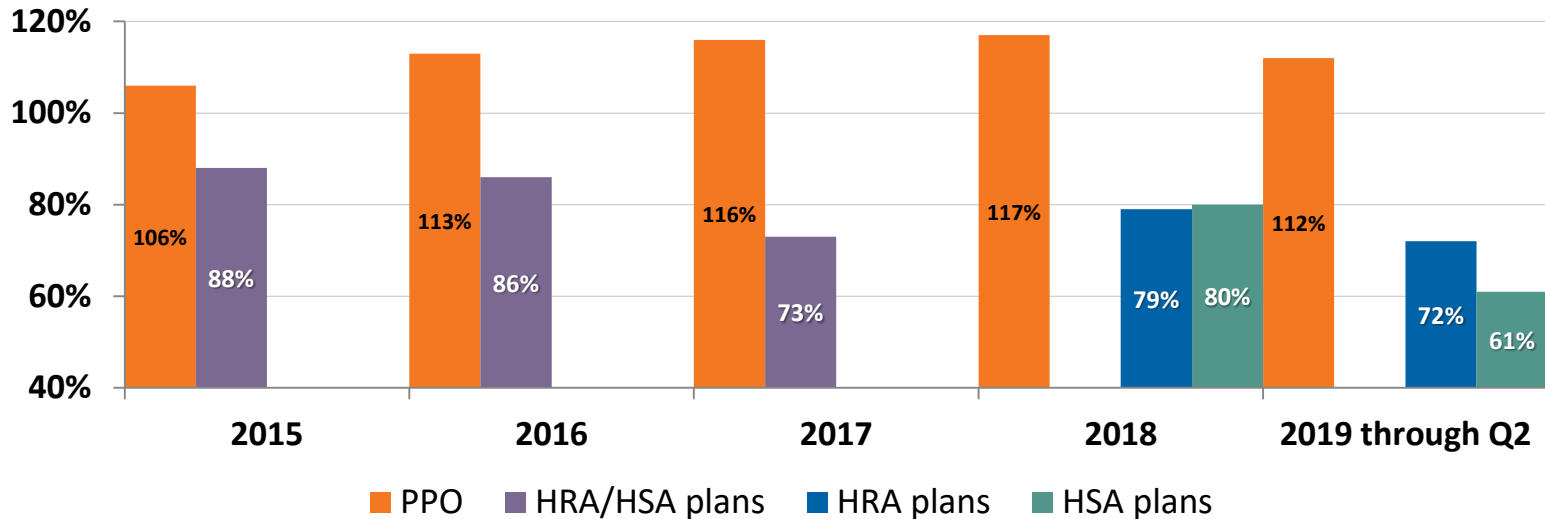
Why Promote Health Savings Account Plans

- Consumerism supports stewardship
- HSAs support current year and long-term savings for participants
- HSA plans are priced favorably and an economically sound choice for the majority of participants
- Good for participants, plan sponsors, churches and the HealthFlex plan

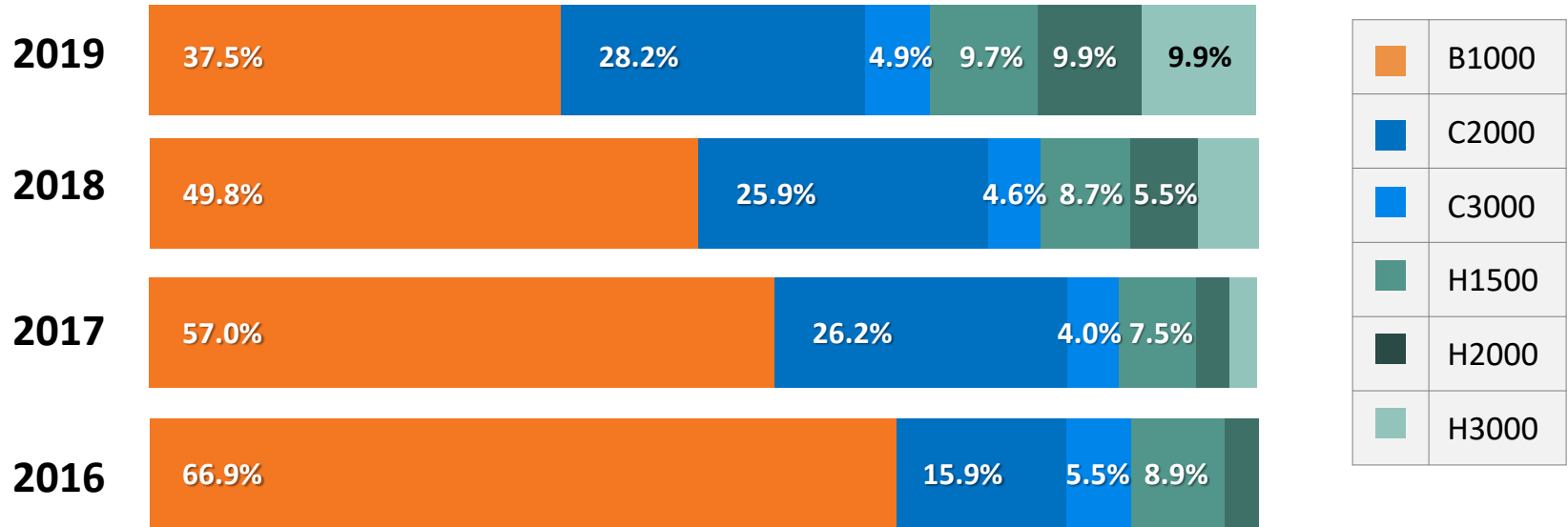


Consumerism Supports Stewardship

HSA and HRA plans show more favorable loss ratios



HealthFlex Exchange: Plan Migration



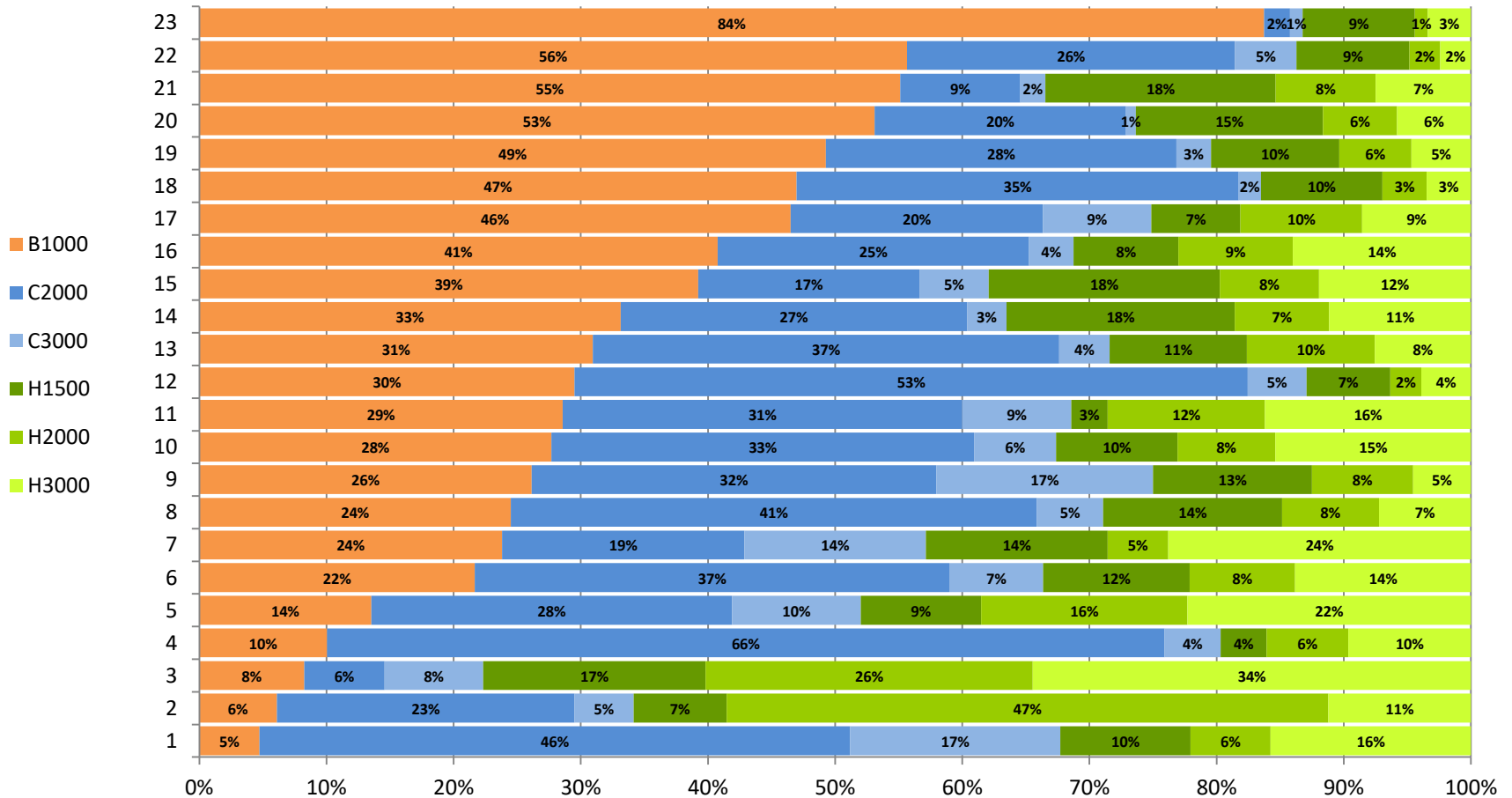
Traditional plan sponsors have 83% enrollment in B1000 in 2019

HSA Plans Are Growing in Popularity

- Avoid buying more insurance than is needed
- Better control how health care dollars are spent
- Save money on current-year expenses and prepare for future health care needs



HSA Plan Enrollment Varies Among Plan Sponsors






HealthFlex HSA Plans—A Refresher

	HSA Plans		
	H1500	H2000	H3000
Health Account Employer Contributions	\$750 for 1 person \$1,500 for > 1 person	\$500 for 1 person \$1,000 for > 1 person	None
Deductible (Family deductible always applies if >1 covered)	\$1,500 per person \$3,000 per family	\$2,000 per person \$4,000 per family	\$3,000 per person \$6,000 per family
Co-insurance (Plan pays Individual pays)	80% 20%	70% 30%	40% 60%
Out-of-Pocket Max (OOP) After this, plan pays all	\$6,000 per person \$12,000 per family	\$6,500 per person \$13,000 per family	\$6,500 per person \$13,000 per family
Pharmacy Benefits (unless medication is on preventive list)	Generics \$15 (30 day), \$35 (90 day) after deductible* Preferred brand 25% after deductible* (with min/max cost)		Individual pays 60% after deductible*
Pricing Relationship to B1000	92.4%	84.6%	73.7%

* Deductibles illustrated above assume participant and covered spouse (if applicable) meet HealthQuotient (HQ) incentive requirement.

Plan Similarities and Differences

	 HSA Plans	 HRA Plans	 B1000
Doctor, Urgent Care and ER Visits: Fixed co-payment			✓
Doctor, Urgent Care and ER Visits: Co-insurance after deductible is met	✓	✓	
Pharmacy: Co-payment or co-insurance before deductible is met		✓	✓
Pharmacy: Co-payment or co-insurance after deductible is met (some preventive medications not subject to deductible)	✓		
Mental Health Outpatient Counseling Fixed co-payment (does not apply to deductible)			✓
Mental Health Counseling: Co-insurance <i>before</i> deductible is met (does not apply to deductible)		✓	
Mental Health Counseling: Co-insurance <i>after</i> deductible is met	✓		

Why Choose an HSA Plan?



Extra Tax Advantage of HSAs!

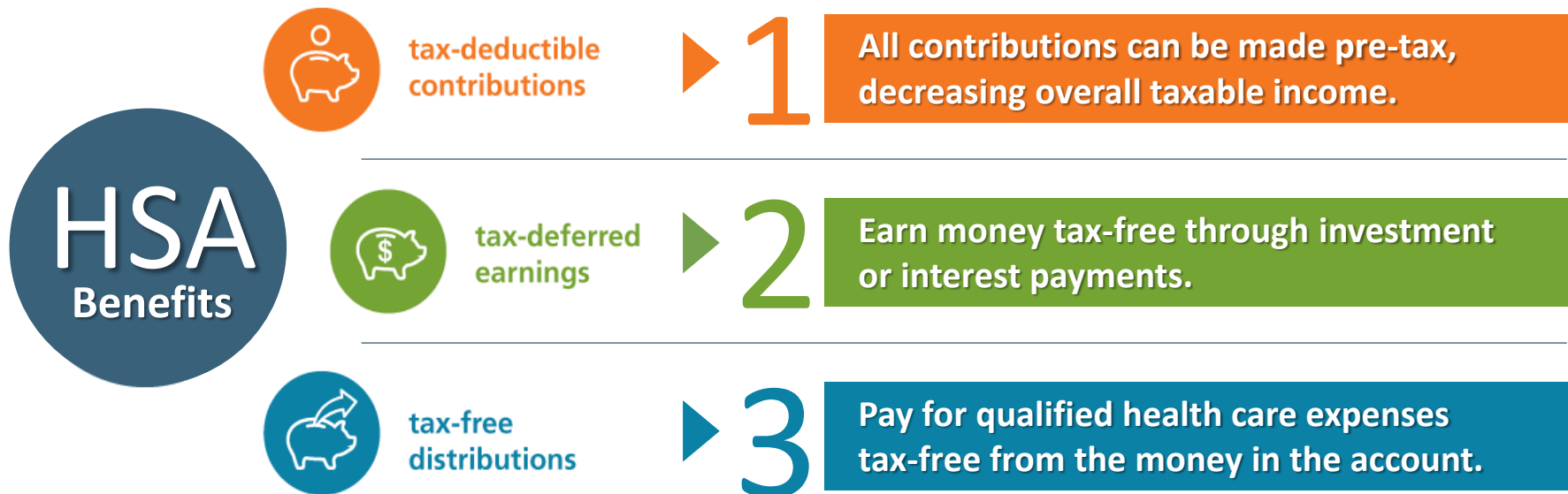
Note the Extra Tax Advantage of Health Savings Accounts!

		HSA	HRA	FSA*	UMPIP Pre-Tax
Pre-Tax Participant Contributions	Participant contributions through payroll are made on pre-tax basis	YES	N/A	YES	YES
Pre-Tax Employer Contributions	Plan or Employer contributions are not subject to income tax	YES	YES	N/A	YES
Tax-Free Growth	Gains are not subject to interest, dividend or capital gains taxes	YES	N/A	N/A	YES
Tax-Free Distributions	Distributions for qualifying medical expenses are not subject to taxation	YES	YES	YES	No ¹

* FSA—Flexible Spending Account

¹ Distributions for clergy may be excluded from taxable income under the *Clergy Housing Allowance Exemption*

HSA—Triple Tax Advantage



How the Tax Savings Works

With \$2,500 in out of pocket health care expenses:



NO health account contribution:
PAY TAX on that \$2,500



CONTRIBUTE to an HSA or FSA:
PAY NO TAX on that \$2,500

If tax bracket is 22%*, participants can take home this much more: **\$550**

* Based on Denominational Average Compensation (DAC)

Other HSA Advantages

- Higher limit than other accounts:
 - \$3,550 or \$7,100 in 2020 plus \$1,000 extra if over 55
- Flexible timing on contributions
 - Add money after receiving the service
- Pay for expenses even if no longer enrolled
- Use to reimburse Continuation premiums
- Invest HSA Funds that aren't needed for current expenses for longer term gains



Investing HSA Dollars



1. Status Quo

Maintain HSA funds in default interest-bearing account; available for reimbursement



2. Invest For the Future

Invest HSA funds in longer-term vehicles for future medical needs and retirement

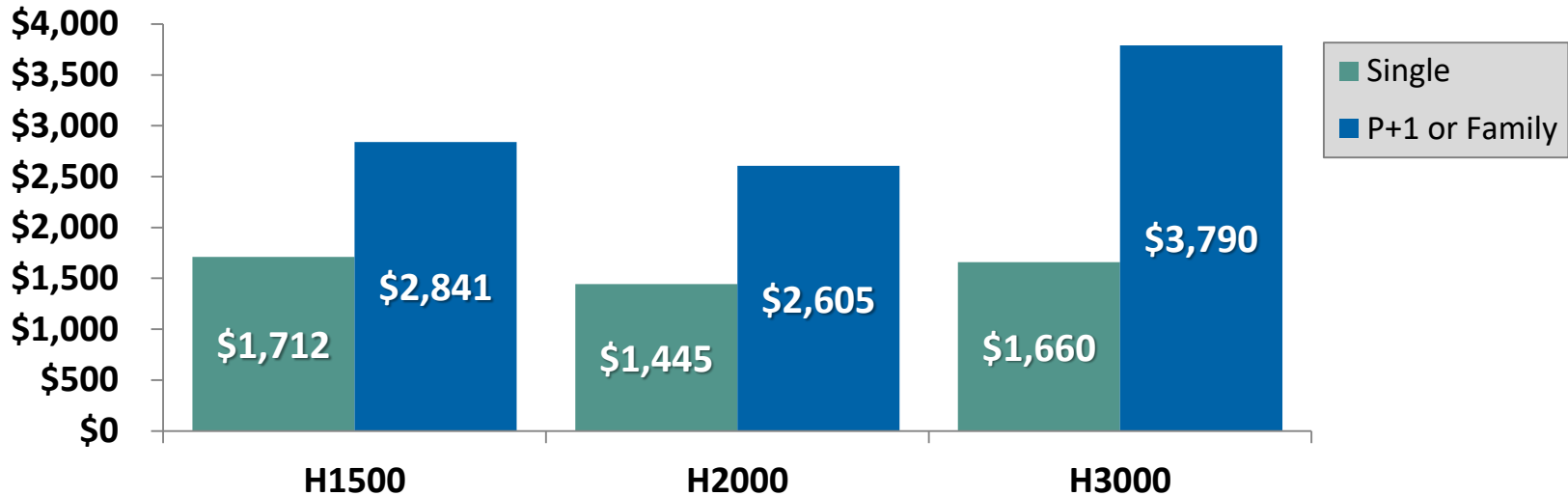


3. Contribute More

Increase contributions for greater tax advantages and more savings opportunities

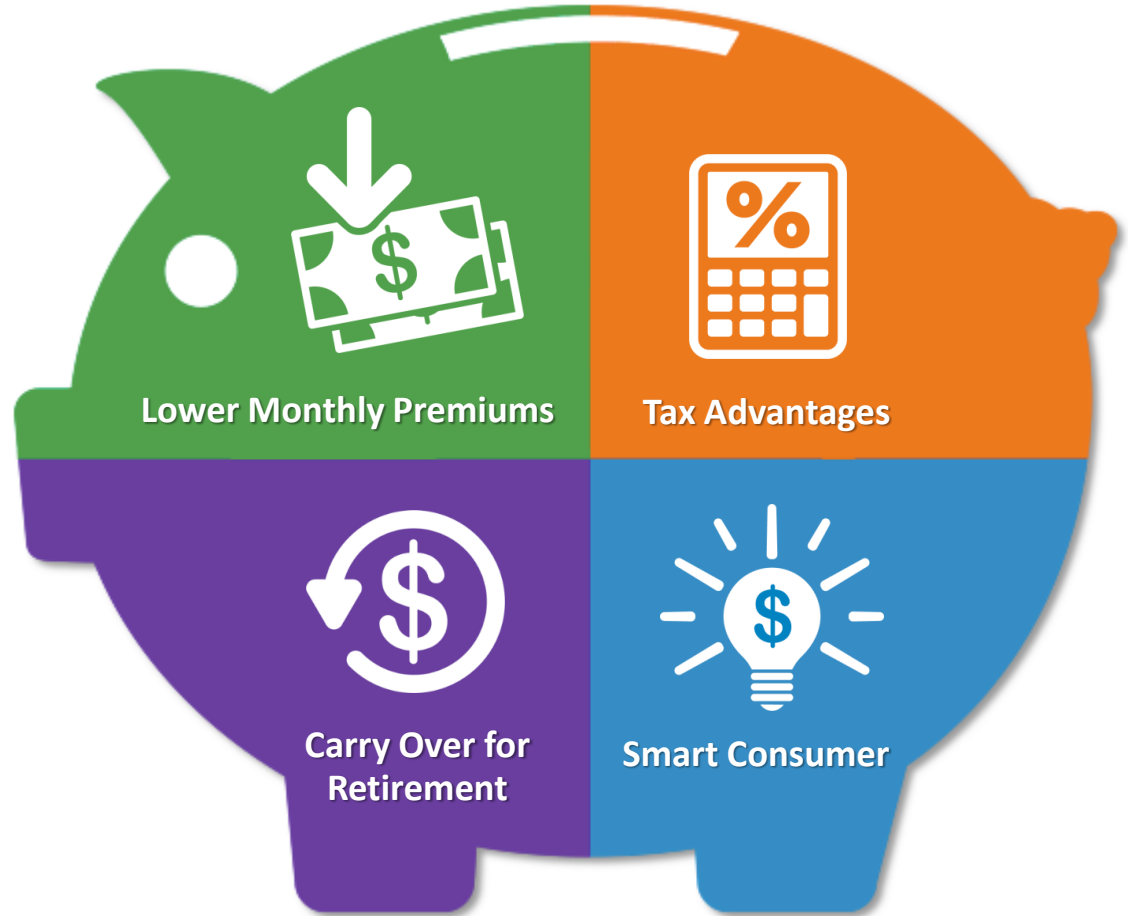
Current Participants Fund Their HSAs!

Average Personal HSA Contributions



Population (n= 737) includes individuals eligible to contribute to HSA in 2018 and excludes individuals with \$0 personal contributions

Making the Most of an HSA Plan



Making the Most of an HSA Plan

- Intentionality about contributing and saving
 - Considers current year needs and a rollover goal
 - Leverages any premium savings to help fund the HSA
- Finding opportunities to save on health care costs
 - Using generics
 - Shopping around for services (like X-rays, lab services)
 - Asking for pay-in-full discounts



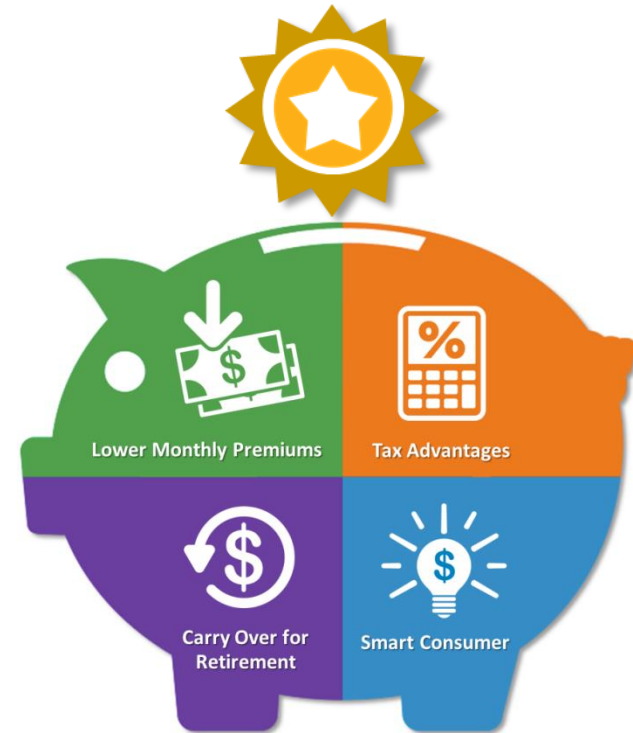
Caution with HSAs

- Deductible applies to all types of services in HSA plans, including pharmacy
 - Preventive drug list not subject to deductible
- Full family deductible always applies when family member(s) covered
- Not eligible to contribute to HSA when there is other coverage that pays before the deductible
 - Medicare, Medicaid, Tricare, spouse coverage, full-use HRA/FSA



Despite Caution, HSAs Can Be Great

- More tax savings in year of contribution
 - Up to \$7,100 for HSA with family coverage vs. \$2,700 in FSA
- Savings for retirement—health care and general expenses
- Access to tax-free, accumulated balance for health expenses



How Much to Contribute?

- ALEX will estimate out of pocket expenses
- EY Financial Planners can help balance HSA contribution with other financial/savings goals



Consideration: Cover 100% of current year expenses **plus** additional savings for emergencies, planned future needs or health care expenses in retirement

Deciding Between an HSA and FSA

Participants should make the maximum HSA contribution before contributing to an FSA

Contributing to a health Flexible Spending Account in addition to a Health Savings Account may work if:

- Dental/vision expenses are predictable—save/invest the HSA money
- Medical/Rx/behavioral health expenses are expected to exceed \$1,400 (individual) or \$2,800 (family) in 2020



Moving to HSA Plans: Low-Utilization Scenario

John Covers his Wife and Daughter in an HSA Plan

- All have few regular expenses
- John used to be in the B1000 plan and contributed to an FSA
- When he moved to a lower-cost HSA plan (H2000 with HSA) he:
 - Diverted the money he saved in premium each month to the HSA
 - Made same personal contribution to HSA that he was previously making to FSA

John's Goals: Initially having enough money to cover expected services and begin saving in HSA for future expenses.



John's Experience Before and After HSA

Before—B1000 + FSA

Family = \$1,000 in OOP expenses

\$1,000 → reimbursed from pre-tax FSA

Total pre-tax contributions = \$1,000

Total future savings = \$0

After—H2000 with HSA

Family = \$1,500 in OOP expenses
(due to higher deductible, no copays)

- \$2,000* premium savings contributed to HSA; \$1,000 included in the HSA
- Contributed \$1,000 (previously contributed to FSA) to the HSA instead

Total pre-tax contributions = \$3,000
(\$2,000 of which was premium savings)
Total contributions to HSA = \$4,000

Total future savings = \$2,500



Moving to HSA Plans: High-Utilization Scenario

Jane Covers Her Husband and 2 Young Kids in an HSA Plan

- Jane + kids have few regular expenses, but husband sees two specialists regularly + multiple hospitalizations
- Jane was in the B1000. Husband has expenses up to the individual out of pocket max (\$5,000/year). Jane contributes the FSA max (\$2,700), but often runs out of pre-tax money to pay medical expenses

Jane's Goals: Save enough in the HSA + FSA to roll over money each year and begin to build an HSA safety net for future expenses or retiree medical needs.



Jane's Experience Before and After HSA

Before—B1000 + FSA

Husband = \$5,000 expenses (OOP max)

Jane + kids = \$500 in OOP expenses

- \$2,700 → reimbursed from pre-tax FSA
- Remaining \$2,800 → paid with savings, credit card, or payment plans (no tax savings)

Total pre-tax contributions = \$2,700

Total future savings = \$0

After—H2000 with HSA

Husband = \$6,500 expenses (OOP max)

Jane + kids = \$1,000 in OOP expenses
(due to higher deductible, no copays)

- \$2,000* premium savings contributed to HSA;
- \$1,000 included in the HSA
- Contributed \$4,000 of the \$5,500 previously spent OOP to the HSA
- With goal to rollover \$1,000 in HSA, she contributed the other \$1,500 of the \$5,500 previously spent to her FSA

Total pre-tax contributions = \$7,500: \$6,000 HSA + \$1,500 FSA
(\$2,000 of which was premium savings)

Total contributions to HSA = \$7,000

Total future savings = \$1,000



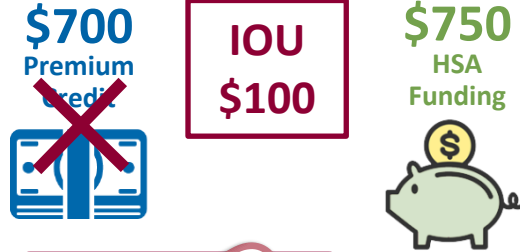
HealthFlex Exchange Example—Month 1

B1000—Single (No HSA)



TOTAL IOU \$150

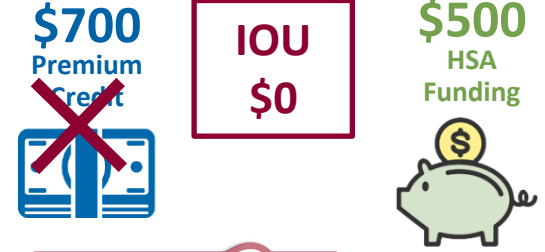
H1500—Single (With HSA)



TOTAL IOU \$100

\$750 HSA Balance

H2000—Single (With HSA)

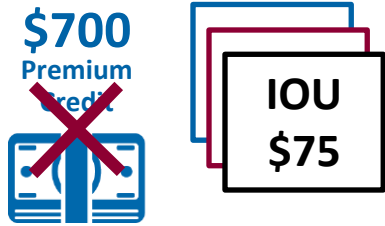


TOTAL IOU \$0

\$500 HSA Balance

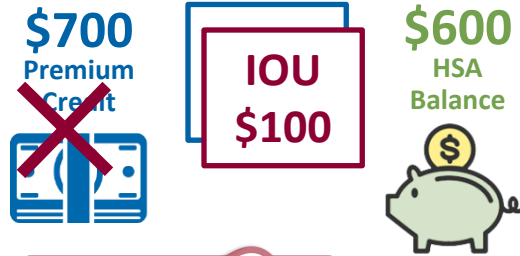
HealthFlex Exchange Example—Month 2

B1000—Single (No HSA)



TOTAL IOU \$375

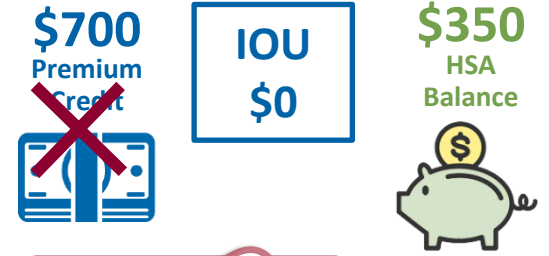
H1500—Single (With HSA)



TOTAL IOU \$200

\$600 HSA Balance

H2000—Single (With HSA)

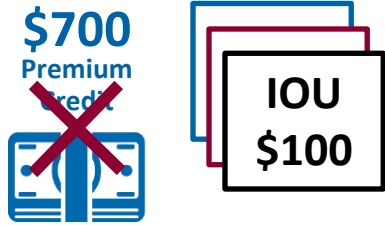


TOTAL IOU \$0

\$350 HSA Balance

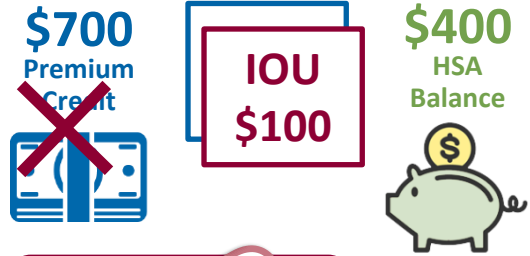
HealthFlex Exchange Example—Month 3

B1000—Single (No HSA)



TOTAL IOU \$625

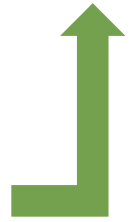
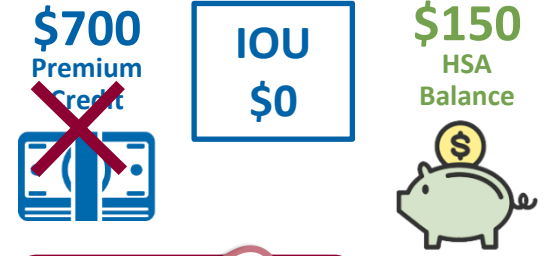
H1500—Single (With HSA)



TOTAL IOU \$300

\$400 HSA Balance

H2000—Single (With HSA)



TOTAL IOU \$0

\$150 HSA Balance

HealthFlex Exchange Example—Month 4

B1000—Single (No HSA)

~~\$700 Premium Credit~~

IOU \$1,100

PREMIUM Credit we PAID \$850

OUTPATIENT Credit we PAID \$1,100

TOTAL IOU \$1,875

H1500—Single (With HSA)

~~\$700 Premium Credit~~

IOU \$820

\$0 HSA Balance

PREMIUM Credit we PAID \$800

OUTPATIENT Credit we PAID \$1,220

TOTAL IOU \$1,220

\$0 HSA Balance

H2000—Single (With HSA)

~~\$700 Premium Credit~~

IOU \$1,350

\$0 HSA Balance

PREMIUM Credit we PAID \$700

OUTPATIENT Credit we PAID \$1,500

TOTAL IOU \$1,350

\$0 HSA Balance

Important Considerations

- Weigh the full cost/value of plans
 - Premium, cost share, health accounts
- Be a wise consumer/investor to save money in the current year and into the future



Encouraging Wise Consumerism

- Consumerism starts during enrollment
- Reference ALEX or past Explanations of Benefits to estimate needed services and what they cost
- Shop around for non-emergent services
- Use generic medications when possible



Supporting Your Participants

- Share HSA-focused materials and webinars
- Encourage active enrollment, use of ALEX
- Reconsider your default plan and cost share
- Some groups have had success with road shows promoting HSA plans





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