

Affordable Health Insurance for the Small Business

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Martin A. Haitz III, CBC

NewCorp Benefit Advantage



Evolution of Healthcare

1980s: Indemnity Plans: Blue Cross, Major Medical with MERP

1990s: First Dollar Managed Care: HMO, POS, PPO with FSA

2000s: Consumer Driven Health Plan: HDHP with MSA, HRA, HSA

People are living longer

Medicare/Medicaid enrollment growing dramatically

Utilization, cost of care, # uninsured on the rise



Consumer Driven Healthcare

- **Combine High Deductible Health Plan (HDHP) and Health Savings Account (HSA)**
- **HDHP leads to premium savings**
 - **\$100 deductible increments yield approximately 2% premium savings**
 - **70% of US population have \$500 or less per year in health expense**
- **Premium savings can be put into HSA**
 - **Tax preferred contributions and carry forward provision**
- **Allows patient to be active in decision process**
 - **Monetary considerations**



High Deductible Health Plan

- **Minimum Qualifying Deductible 2007:**
 - **\$1,100 Single / \$2,200 Family**
 - **Family deductible must be met in full**
 - **Deductibles are calendar year**
- **Preventive care not subject to plan deductible**
- **ER visits subject to Deductible**
- **Indemnity, PPO, POS, HMO**



Health Savings Account

- **Employer and/or employee contributions**
- **Maximum Contribution 2007:**
 - **\$2,850 Single / \$5,650 Family / \$800 Catch-up**
- **Employee control / ownership**
- **Choice of Custodian / Trustee**
- **Funds accessed via debit card or checks**
- **Funds can be used toward deductible PLUS any qualified health expense (IRS pub. 502)**
 - **Dental, Vision, OTC medication**



HSA Tax Treatment

- **“Above the Line” Federal Tax return**
- **Section 125 Payroll Deduction**
 - **Federal and FICA taxes**
- **Non qualified withdrawal**
 - **Income tax PLUS 10% penalty**



HSA Carry Forward

- No “use it or lose it” for account balance
- Future Health out-of-pocket expense
- Medicare Advantage Plan Premium
- Long Term Care Premium

Case Study 1

- **2 Employees / Avg Age: 61**
- **2 Employee/Spouse contracts**
- **First Dollar PPO (\$10 copay, 100%)**
 - **Renewal Premium: \$32,219 annually**
- **HDHP PPO (\$3,000 Family Deductible, 100%)**
 - **HDHP Premium: \$22,569 annually**
- **Premium Savings: \$9,650**



Case Study 2

- **26 Employees / Avg Age: 45**
- **16 Single / 10 Family contracts**
- **First Dollar PPO, POS, HMO (\$10 copay, 100%)**
 - **Renewal Premium: \$178,818 annually**
- **HDHP Open Access POS (\$1,500 Single / \$3,000 Family Deductible, 100%)**
 - **HDHP Premium: \$105,672 annually**
- **Premium Savings: \$73,146**



HDHP / HSA Pointers

- **Ideal for small businesses, low utilization**
- **Medicare eligible people excluded**
- **Consider HMO or “Open Access HMO/POS”**
 - **Lower cost / almost same network as PPO**
- **Shop Trustee / Custodian fees**
 - **Place funds outside the ins company**



HDHP / HSA Pointers

- **HDHP can be offered with other plans**
- **Research what medical services cost**
 - **Online resources / stay in-network**
- **Avoid ERISA**
 - **Let employees choose Custodian / Trustee**
- **Beware Discrimination for Contributions**
 - **Comparability rules**





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