Is a Health Savings Account Right for Your School?

May 2, 2019

Presenter:
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President
Austin & Co., Inc.

Agenda

• Status Quo
• H.S.A. Considerations
  – What is a Health Savings Account?
  – Pros and Cons
  – Implementation Overview
• Lessons Learned & Best Practices
• Questions & Answers
Status Quo

Status Quo = Unsustainable?

- Renewal unpredictability
- Cost shifting
- Limited plan options (community rating)
- Future health care reform
**Current Strategies**

- Defined contribution approach
- Transitional plan as a step towards the HDHP
- School funds deductible with an HRA
- Adding a high deductible health plan (HDHP) with a health savings account (HSA) as a low cost option
- School funds deductible with an HSA

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**Then vs. Now**

<table>
<thead>
<tr>
<th>NYSAIS Schools Offering:</th>
<th>2014</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transitional</td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>H.S.A. / HDHP</td>
<td>11%</td>
<td>57%</td>
</tr>
</tbody>
</table>

**Why employees enroll in HSAs**

The biggest reasons employees say they enroll in HSA-based plans are:

- Saving for future health care needs: 41%
- Tax savings: 21%
- Lower premiums: 10%

1. Austin & Co.’s NYSAIS clients
Integrated Health Savings Account

HDHP = High deductible health plan
HSA = Health Savings Account

"H.S.A." = used interchangeably to refer to just the bank account or the integrated HDHP / HSA

Sample Plans

<table>
<thead>
<tr>
<th>Benefits</th>
<th>EPO</th>
<th>T-EPO</th>
<th>HDEPO/HSA</th>
</tr>
</thead>
<tbody>
<tr>
<td>In-Network Deductible</td>
<td>N/A</td>
<td>$1,000/$2,000</td>
<td>$2,000/$4,000</td>
</tr>
<tr>
<td>In-Network Coins</td>
<td>N/A</td>
<td>0%/100%</td>
<td>0%/100%</td>
</tr>
<tr>
<td>Primary/Spec. Visit</td>
<td>$25/$25 Copay</td>
<td>$25/$40 Copay</td>
<td>Ded then 100%</td>
</tr>
<tr>
<td>ER Visit</td>
<td>$75 Copay</td>
<td>$100 Copay</td>
<td>Ded then 100%</td>
</tr>
<tr>
<td>In-Patient Visit</td>
<td>$250 Copay</td>
<td>Ded then 100%</td>
<td>Ded then 100%</td>
</tr>
<tr>
<td>Prescription Drugs</td>
<td>No Ded, $10/$25/$50</td>
<td>$100 Ded, $10/$25/$50</td>
<td>Plan Ded, $10/$25/$50</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Premium</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Single (46)</td>
<td>$997.61</td>
<td>$930.44</td>
<td>$830.83</td>
</tr>
<tr>
<td>Employee / Spouse (7)</td>
<td>$2,094.98</td>
<td>$1,953.92</td>
<td>$1,744.73</td>
</tr>
<tr>
<td>Employee / Child (4)</td>
<td>$1,511.18</td>
<td>$1,409.43</td>
<td>$1,258.54</td>
</tr>
<tr>
<td>Family (5)</td>
<td>$2,937.27</td>
<td>$2,739.49</td>
<td>$2,446.20</td>
</tr>
<tr>
<td>Annual Premium</td>
<td>$975,432</td>
<td>$909,754</td>
<td>$812,357</td>
</tr>
<tr>
<td>Percent Savings</td>
<td>6.73%</td>
<td>10.71%</td>
<td></td>
</tr>
</tbody>
</table>
H.S.A. Considerations

What is a High Deductible Health Plan (HDHP)?

- First dollar member deductible for all non-preventative services
- Lower premiums
- Carrier network, services, and requirements are the same as traditional plans
- Both EPO and PPO/POS plan designs available
- Coordinated with tax-advantage bank accounts
What is a Health Savings Account (HSA)?

- Triple tax-advantage bank account
  - Owned by individual
  - Reimbursements for medical, dental or vision qualified expenses
- Contributions made by the school and/or eligible individual, but the amount per year is limited:
  - $3,500 / $7,000 (2019)
  - $1,000 catch up for individuals age 55+
  - Contributions must stop when enrolled in Medicare
- No “use it or lose it”

Traditional Plan

- Member’s out of pocket contribution for services received before insurance contributes.
- Employee and Employer pre-tax monthly contributions to insurance carrier.
- Health Insurance (PPO, EPO, HMO)
  - Copays (fixed amount due for each service)
- Preventive Care (covered in full)
- Premiums
- Insurance covers applicable services that cost more than the copay.
- 100% covered by insurance company.
Integrating HDHP & HSA

Employee and Employer pre-tax dollars saved in a bank account for when medical expenses are incurred.

Optional H.S.A. (bank account)

Preventive Care (covered in full)

Annual Ded. (out of pocket costs)

Preventives care (covered in full)

Member's out of pocket contribution for services received before insurance.

Premiums (~10% savings)

100% covered by insurance carrier.

Insurance covers applicable services that cost more than the deductible.

Employee and Employer pre-tax monthly contributions to insurance carrier.

H.S.A. Eligibility

• Covered by a HDHP
  – Minimum deductible (2019): $1,350 / $2,700
  – Annual out-of-pocket max (2019): $6,750 / $13,500
• Not covered by other health insurance
• Not enrolled in a general Flexible Spending Account (FSA) or eligible for a spouse’s FSA funds
• Not enrolled in Medicare
• Cannot be claimed as a dependent on someone else’s tax return
Why Have an HSA?

**Advantages**
- IRA savings approach
- Greater cost transparency
- Increased consumer decision-making, potentially leading to healthier lifestyle
- Savings for school on HDHP premiums
- Pre-tax contributions and distributions for qualified expenses
- No use-it or lose-it
- Medical, dental, and vision expenses

**Considerations**
- FSA plan year coordination
- Constant communication
- Additional education
- Self-policing of compliance (eligible individuals, eligible expenses, contribution maximums, etc.)
- Medicare eligibility
- Penalties for unqualified expenses
- Carrier specific funding restrictions

Implementation Overview

- Mid-Year Planning
- Employee Communication
- FSA Coordination
- Renewal Marketing
- Update Payroll Deductions
- Open Enrollment
- Renewal Confirmation
- Update Plan Documents
- H.S.A. Bank Selection
- H.S.A. Successes Shared
Lessons Learned & Best Practices

School 1

Initial Road Blocks:

- Higher Deductible
- Reluctance to Leave Current Plan

Solutions:
- School contributes to individual HSAs with premium delta
- Offer HDHP/HSA as a dual or triple option
- Define contributions off HDHP premium
### School 2

**Initial Road Blocks:**

<table>
<thead>
<tr>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare &amp; Domestic Partners Not Eligible for HSA</td>
</tr>
<tr>
<td>Cannot Have “General” FSA with an HSA</td>
</tr>
<tr>
<td>FSA Anniversary date</td>
</tr>
</tbody>
</table>

**Solutions:**
- Offered as a dual or triple option
- HRA offered to those ineligible for HSA
- Offer a limited purpose FSA
- Zero balance in “general” FSA
- FSA short plan year

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### School 3

**Initial Road Blocks:**

<table>
<thead>
<tr>
<th>Solutions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complexity</td>
</tr>
<tr>
<td>Penalties &amp; No Claim Substantiation</td>
</tr>
<tr>
<td>Transparent Provider Payments</td>
</tr>
</tbody>
</table>

**Solutions:**
- Support from leadership
- 6-8 months lead time for faculty and staff rollout
- Multiple education meetings
- Offer EPO/HSA
### Lessons Learned

- Educate 6 months in advance
- Offer HSA/HDHP as an additional offering, not total replacement
- Increase school HSA contributions = increased HSA enrollment
- Helps meet ACA affordability requirements
- Low HSA enrollment year one, but increases in year 2-4
- Continue education and employee advocacy

### Questions?

*Please contact us with any questions:*
518-465-3591 or toll-free 800-863-0736
www.austin-co.com

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President
Austin & Co., Inc.

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- Represent over 110 independent schools and 70 charter schools
- Best Practices Agency since 1995 and a “Top Performer” in 2013
- United Benefits Advisors Partner Firm
- Elite broker status with national carriers
- Customizable solutions including: employee benefits, HR consulting, technology, and payroll
- Employer compliance guidance and support
- Dedicated Account Manager and employee advocacy
IS A HEALTH SAVINGS ACCOUNT RIGHT FOR YOUR SCHOOL?

Schools are increasingly interested in Health Savings Accounts (HSA) and non-traditional plans to help battle continuously rising health care costs. While premium savings are significant and appealing, there are multiple considerations before implementation.

HEALTH SAVINGS ACCOUNT

SCHOOL PREPARATION

LESSONS LEARNED
- Typically, a minimum of six months is suggested for education and enrollment.
- Approximately 80% of schools consider implementing a HDHP/HSA plan and about 20% of that population actually implement.
- With strong education and plenty of time, the implementation of HDHP/HSA plans goes smoothly. Independent schools tend to be caution when adopting to change.
- A majority of schools offer the HDHP/HSA as an option side-by-side their existing traditional health plan(s).
- Offering only the HDHP/HSA to faculty and staff is typically due to cost restraints or poor claims experience.
- There is a positive correlation with the amount the school contributes to the individual’s HSA and enrollment in the plan.
- The lower premiums of the HDHP/HSA assist with meeting the new ACA affordability requirements.

PROS
- IRA savings approach
- Greater cost transparency
- Increased consumer decision-making, potentially leading to healthier lifestyle
- Savings for school on HDHP premiums
- Pre-tax contributions and distributions for qualified expenses
- No use-it or lose-it

CONS
- Constant communication
- Additional education
- Self-policing of compliance (eligible individuals, eligible expenses, contribution maximums, etc.)
- FSA plan year coordination
- Medicare eligibility
- Penalties for unqualified expenses
- Carrier specific funding restrictions
IMPLEMENTATION CHECKLIST

DEFINE THE HDHP/HSA OFFERING

- Determine the HDHP plan design. To qualify for an HSA the minimum deductible for 2019 is $1,350/$2,700.
- Will the HDHP/HSA be the only plan offered? Will the insurer allow multiple plans?
- What will be the deductible accumulation period (Calendar or plan year)? Are there other plans to consider while defining this period?
- Other plans may need to be coordinated with your HDHP implementation, such as:
  - Cafeteria plans (section 125 plans)
  - Health flexible spending accounts (FSA)
  - Health reimbursement arrangements (HRA)
  - Prescription drug benefits
  - Wellness programs
- Determine the premium contribution for the HDHP.
- Determine the school’s contribution to the HSA. The maximum combined contribution for 2019 to a HSA is $3,500/$7,000 (school and individual contributions).
- Will the HSA financial institution be school sponsored or will the individual be responsible for obtaining their own?
- Update the Summary Plan Description (SPD) and other materials to include the HDHP/HSA.

EDUCATION

- Initial education meeting to explain how HDHP and HSA work in general (6 months prior to implementation).
- Send out a preliminary letter/email to announce the new HDHP plan and upcoming open enrollment meeting(s).
- Use email, posters and other communications to educate employees on the following prior to open enrollment.
  - General eligibility rules for HSAs
  - Maximum contribution amounts
  - Tax-free advantages
  - Savings on premiums
  - School contributions (if offering)
  - Ability to grow the HSA balance over time
  - HSA examples
- Provide ongoing education on how to use the HSA and how to make wiser health care choices.

ONGOING RESOURCES

Evaluate the current resources you provide for employees:

- Frequently asked questions (handout attached)
- Educational lunch and learns, emails, and posters
- Online resources

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HSA Implementation Checklist

Offering a high deductible health plan (HDHP) along with a health savings account (HSA) is a great way to allow your employees to save pretax dollars for health-related expenses while also saving for the future, but it does involve a lot of planning and preparation on your part. This checklist will help as you implement this plan design option. Before implementing these benefits, make sure you also consult with your legal advisers.

Determine Your Level of Involvement

The following are some options:

- Sponsor the HDHP only, allow employees to be HSA-eligible, but don’t assist with opening or funding HSAs.
- Sponsor the HDHP and contract with an HSA custodian to assist with opening the accounts, but do not assist with the funding.
- Sponsor the HDHP and contract with an HSA provider, offer employees a payroll deduction to fund the account, but do not provide any contributions.
- Sponsor the HDHP and contract with an HSA provider, make contributions to the account, but do not allow employees to make a payroll deduction.
- Sponsor the HDHP and contract with an HSA provider, make contributions to the account and allow employees to make a payroll deduction.

Create the HDHP Design

- If you currently offer a non-HDHP plan, address the following transition issues:
  - Determine whether the HDHP will be the only group health plan that you will offer employees.
  - If not, do you have enough employees to sustain more than one major health plan?
  - Will the insurer offer more than one type of plan for your organization?
- Check with the vendor to determine if and what minimum participation levels are required.
- Determine when you will start the HDHP.
- Jan. 1 implementation may be easier than mid-year implementation changes.
- If your current medical plan is not on a calendar year renewal, can you shorten the plan year to start the HDHP and HSA on Jan. 1?
- Determine deductibles and out-of-pocket expense levels.
  - Will you use the statutory minimum deductible or a higher deductible?
  - Will you use the statutory maximum out-of-pocket expense amount or a lower amount?
  - Determine the total premium for the HDHP (the amounts paid by employer/employee).
- Determine whether you will sponsor any other health plans that may need to be coordinated with an HDHP, such as:
  - Cafeteria plans (section 125 plans)
Benefits Insights

- Health care flexible spending accounts
- Health reimbursement arrangements
- Prescription drug benefits
- Vision plans
- Dental plans
- Employee assistance programs (EAPs)
- Wellness programs

- Determine what changes to other plans may be necessary (e.g., terminating an FSA, converting to a “limited” health FSA or converting to a “post-deductible” health FSA).

Choose an HSA Provider
- Obtain information about various providers to determine the following:
  - Enrollment, maintenance and other fees imposed on you and your employees
  - Available investment options for account balances
  - Services available through the HSA provider (preparing annual reports, assisting with comparability rules for employer contributions, explaining the HSA rules to employees, offering debit cards for the HSA, etc.)

- Determine how HSA contributions and information will be sent to the HSA provider.
  - Will you use proprietary software?
  - Will you receive a penalty for late or incorrect information?

- Determine how the HSA will be funded.
  - Will you contribute to the HSA? If so, how much and when? Employers can contribute during each payroll period, at the end of the year only or at the beginning of the year only.
  - Will you adopt or amend a cafeteria plan to allow for HSA contributions?
  - If you will be making contributions or allowing payroll deductions, will you forward contributions only to certain HSA providers?

- Educate all human resources personnel and senior management about the new HDHP and HSA.
- Brainstorm with company leaders, HR, payroll and work team leaders on the best ways to promote the HSA to all employees.

Communicate the New Plan to Employees
- Explain the HDHP and HSA rules to employees. Also provide guidance on changes from the existing health plan design to the new design. Send out an HSA announcement letter.
  - Provide information on deductible rules and limitations on coverage.
  - Update the Summary Plan Description and other health plan materials for employees.
  - Use email announcements, posters and other communications to educate employees on the following issues:
    - Introducing the HDHP/HSA
    - General eligibility rules for HSAs
    - Maximum contribution amounts
    - Tax-free advantages to HSA contributions
    - Contributions that your company plans to make

- Provide information on the services provided by the HSA provider for employees.
- Share other benefits of the HDHP and HSA with employees, including:
  - Savings on health insurance premiums
  - Ability to offer unique health coverage that may not otherwise be available
  - Employer contributions (if offering)
  - Ability to grow the HSA balance over time

- Provide ongoing education on how to use the HSA and how to make wiser health care choices.