FURTHER

HSA/VEBA Hybrid and FSA plans

Connie Wrase/Katie Reger

IRS health plan requirements for HSA’s

County needs to offer a HDHP

- Deductible must be higher than $1400 (2020 – indexed by IRS annually)
  - All claims apply toward deductible – no copays
- Deductible must be $2,800 to include an embedded deductible
  - Affects less than 25% of your population as most are single plans
- Deductible must be $3,500 to include both Q4 carryover and an embedded deductible
- HSA accounts can be added to any Qualified HDHP – You have many options.

What is an HSA (Health Savings Account)?

- Financial account that is owned by an individual
- Associated with a High Deductible Health Plan (HDHP)
- Contributions to the account are to pay for current and/or future medical costs
- No "use it or lose it", unused fund rollover
- Interest earned is tax free
- Investment opportunities available
- Portable
- Beneficiary can be named to account
- Post age 65 non-medical distributions without penalty
- Eligibility requirements:
  - Not enrolled in other, non-HSA compatible health plans
    - Includes Medicare, spouse FSA and spouse low deductible health plans
  - Must not be a dependent on someone else's tax return

HSA Employee advantages

- Control over the account
- Ability to contribute tax free $ to HSA account (2020: single $3,550, family $7,100)
- Rollover provides opportunity to save for future health care expenses
- Tax-exempt withdrawals for qualified medical expenses not covered by the health plan
- Interest and earnings grow tax free w/ investment opportunities
- Portability
- Post 65 non-medical withdraws
- **This is the employee's account and the entire balance belongs to the employee, regardless of their present of future employment and/or who deposited the funds.**

Why would your employees want an HSA?

Simple – State, Federal & FICA tax savings

Buy $1 of care for 70¢

HDHP's cost less = lower premiums

Flexible – Only need documents at tax time

No use it or lose it

Can change contribution at anytime

Multiple funding options

- Pretax per payroll check
- Pay as you go
- Year end – true up savings

Why would Employers want to offer an HSA account?

HSA = Behavior change = reduced medical claims = potential lower future renewal rates

Keep pace with national benefits packages

Ease of administration

Employer saves 7.65% FICA tax on all pretax employee contributions

Ex: 50 EE saving $1500 per year in an HSA = $5700 in FICA savings for the Employer.

VEBA accounts – what are they?

Financial account that is held in the employee's name by the employer

Contributions to the account are to pay for current and future medical expenses

No "use it or lose it" - unused funds rollover

- Can be spent post employment

Interest earned is tax free

Investment opportunities

beneficiary can be named to the account in some cases

Employer only contributions

Employees can use for insurance premiums once they retire

Very compatible with other health plans

Beneficial for those employees not eligible for an HSA account

HSA/VEBA hybrid

- Win / Win
- Give employees choice or options to best fit their needs
- Provides multiple strategies to accomplish the following
  - Buy $1 of care for 70¢ with an HSA
  - EE contributions are pre tax
  - Pay insurance premiums post employment with a VEBA
  - All qualify for one or more options:
    - 3 options with many variations
    - 100% contribution to HSA
    - 100% contribution to VEBA
    - 50% to VEBA & 50% to HSA
  - All options allow for EE to add to HSA pre tax

Advantages of hybrid plan

Do not underestimate the value of paying no State, Federal or FICA taxes on health care expenses

Buy $1 care for 70¢

Employer saves 7.65% on every $1 contributed to an HSA by the Employee

ER saves 7.65% on every $1 contributed to HSA instead of salary?

Example: Group has 50 employees, and employees average $1,000 in HSA payroll contributions per year.

Employer saves $3,825/year in FICA annually (Don't forget the savings on premiums!)

Why choose hybrid?

Majority of EE pay more in health care premiums than care received, why pay the insurance company the higher premium for coverage not used

EE will become empowered to make better decisions

HSA dollars are a valuable asset post employment

Do the math – Higher deductible, less lower premiums, less ER contributions, less taxes and HDHP's cost less than most traditional plans

How the FSA works

- Members estimate next year's out-of-pocket costs
- Equal portions are deposited from your paycheck into the account
- Total elected amount is available day one
- Each account has a $2,700 limit
- Ability to add on $500 rollover
- Can be paired with a VEBA or HSA
- No federal, state or FICA!

Consumer education – don’t be shy!

- Use your preventative benefit and promote it!
- Think of cost-saving options:

  $ - Online care

  $$ - Retail Clinic

  $$$ - Office Visit

  $$$$ - Urgent Care

  $$$$$ - Emergency Room

ER for emergencies – be smart

Empower your employees to make smart decisions and take an active role in their health care

What your employees don’t spend, they get to keep!

Real MN Public Sector group case study

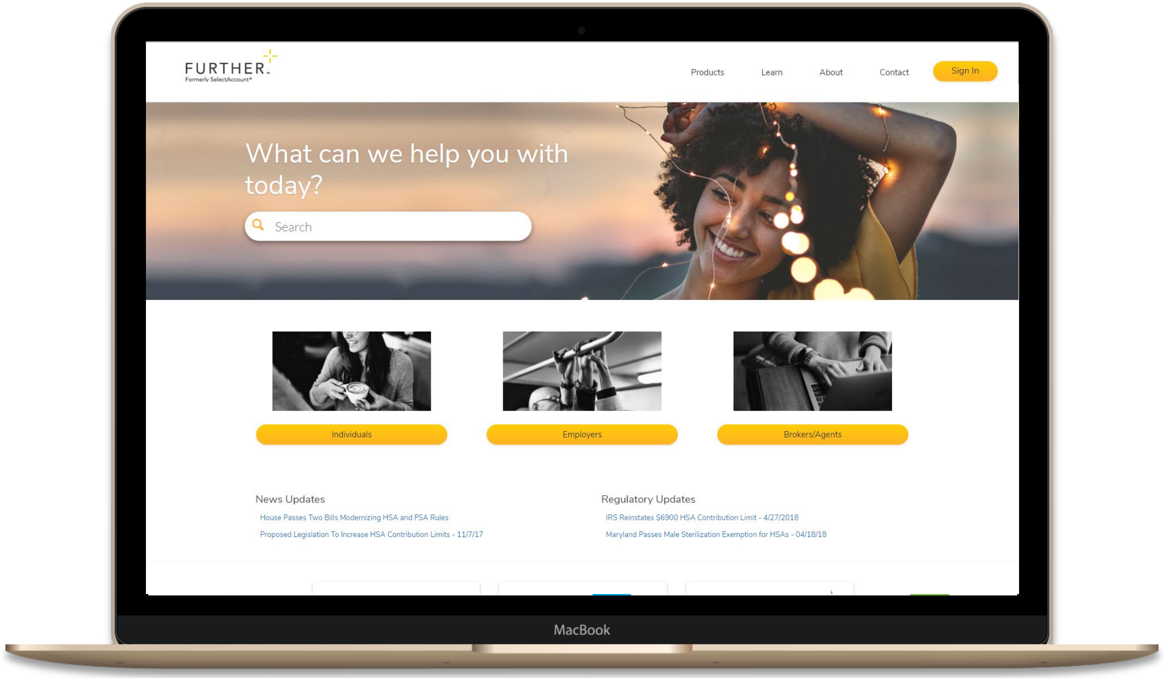
Example shows unhealthiest employee spends $1300 less on a HDHP than a traditional plan

Example shows healthiest employee nearly have no cost when comparing premium vs ER contribution

Simple math – out of pocket maximum, less the annual premium savings, less an employer HSA contribution, less 30% tax savings

Success comes from educated decisions. Employees need approximately one hour of education on HSA's and hybrid plans

	PPO Plan	HSA Plan
Deductible	$1,000	$3250
Co-Insurance	$1,700	$0.00
Annual Out of Pocket Maximum	$2,700	$3,250
Employee portion of Annual Premium	$2,088	$1,182 ($906 lower annually than PPO)
Employer contribution to HSA	$0	$ 1,000
Average tax savings	$0	$403 30% of oop max after ER deposit and premium savings
Worst case scenario	-$2700 + $2,088 = $4,788	$3,250 + $1,182 - $1,000 = $3,432 ($1,356 LESS than PPO plan)
Best case scenario	-$2,088 in premiums, no savings	- $1,182 in premiums, + $1,000 in HSA savings (Plus interest/investments) = -$182



Learning Center

learn.hellofurther.com

- Robust array of articles, tools and resources including:
  - Savings Calculators
  - Product videos
  - Website tutorial videos
  - Popular forms
- Extensive educational resources:
  - Tips for submitting claims
  - Help using and managing their account
  - Tax implication information
  - How to get reimbursed
  - FAQs