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Health Savings Accounts (HSAs), which were introduced in January 2004, now offer a potentially promising approach to rising health care costs. The accounts allow consumers to use tax-free dollars to pay for routine health care expenses, such as doctors’ office visits and prescription drugs. They must be offered in combination with High Deductible Health Plans (HDHPs), which provide insurance coverage for major medical events.

For employees, HSAs offer three attractive features. First, they can be funded with dollars that are not only free from federal income taxes but also exempt from Social Security and Medicare taxes. Second, any contributions not spent on medical expenses in one year may be rolled over to meet the following year’s deductible and subsequent medical expenses. Third, the accounts are portable: Employees can take their accounts with them when they switch jobs and withdraw from their accounts after they retire.

A few of the early adopters of this new health benefit strategy have experienced excellent results. In fact, one company which used a combination of an HDHP with a precursor of HSAs — the Health Reimbursement Arrangement — was able to keep its health insurance premiums flat during a period when premiums for coverage for the standard family of four soared by 14%. However, many employers have been slow to adopt HSAs for various reasons, including insufficient information on health care costs at different providers and the complexity of the issues involved in creating an HSA alternative.

This White Paper provides employers with an initial overview of the operation of HSAs, including details of their key tax features. Control of the HSA does reside with an employee, as each employee owns the account and is immediately vested in it. Nevertheless, employers make the key decisions about how to design and implement any HSAs/HDHPs they offer. They also decide whether to make contributions to the HSA on each employee’s behalf. When structured properly, these plans are not covered by ERISA with its complex regulations. Even without those regulations, however, employers may not, when contributing to employees’ HSAs, treat highly paid employees more favorably than other employees.

After the initial overview of HSAs’ features, this White Paper outlines the key issues employers will need to consider in the design and implementation of HSAs/HDHPs.

- As employers strive to design an HSA/HDHP that will help them constrain the growth of health care costs, employers must consider the level of financial support they want to provide to each employee’s HSA, the size of the deductible for the HDHP, the way the HSA/HDHP covers preventive care, and any conditions that may be appropriate to impose on insurance coverage.

- To address the need to design a plan that treats all employee subgroups fairly, employers must take into account the different health care needs of older and younger workers, the merits of offering single or multiple choices for health care, the relationship between HSAs and other types of health care plans, such as PPOs and HMOs, as well as the relationship of HSAs to other reimbursement programs, such as flexible spending accounts (FSAs).

- When implementing HSAs/HDHPs, employers must decide whether to hire an integrated insurer to administer the HSAs and provide backup coverage against major medical events, or whether to self-insure. The self-insurance option involves hiring an independent vendor to administer the HSA and purchasing stop-loss insurance.

- Finally, companies must help their employees obtain access to information, such as the comparative costs and quality of medical services at different providers, that will help them become informed consumers of health care. Such access is critical for both employees and employers to realize the potential benefits of HSAs.
INTRODUCTION

General Motors may no longer be a microcosm of America, but it is still true that what’s bad for GM is bad for the country — at least as far as health care costs are concerned. Recently, GM had to cut its earnings goals twice in less than a month. The chief culprit in both cases — surging health-care costs.¹

GM is not alone in its plight. U.S. health care costs continue to spiral upward, registering double-digit increases in the past four years. They now represent close to 15% of U.S. gross domestic product (GDP), the highest percentage in the industrialized world.² Rising health care costs are also a prime reason cited by American corporations for not hiring new workers; thus, they are a major factor inhibiting job growth in the U.S. economy.

One of the potentially promising approaches to slowing the growth of U.S. health-care costs is the HSA — the Health Savings Account. These accounts offer individuals and families a tax-favored way to pay for routine health care expenses. Dollars can be put into the accounts on a pretax basis. Withdrawals can also be made tax-free as long as they are used to meet qualified health care expenses.

HSAs are offered as the first component of a two-part health care plan; the second part is an insurance policy with a High Deductible Health Plan (HDHP), to cover major medical events. The HDHPs must have annual deductibles of at least $1,000 per individual and $2,000 per family. In most cases, these deductibles can be satisfied by consumers making payments from their HSAs for basic medical expenses, such as doctors’ visits or prescription medication. If an employee has a major medical expense, such as surgery, the costs will be paid by the insurance company offering the HDHP once the deductible has been met.

HSAs offer significant tax advantages. They can be funded with contributions by employees or employers, or both, up to a total limit of $2,650 per year for individuals and $5,250 per year for families in 2005. These contributions are exempt not only from federal income taxes but also from Social Security and Medicare taxes.³ Any earnings on money in the account are not taxed, and withdrawals from HSAs used to pay qualifying medical expenses are not subject to income taxes either. If an employee does not spend all the money in an HSA during one year, the remainder rolls over to the next year, and those rollovers can continue into the employee’s retirement years. HSAs are also portable: An employee takes an HSA with him or her if he or she leaves a company for any reason and does not incur any taxes.

³Contributions by self-employed persons are not deductible for self-employment tax (SECA) purposes. See IRS Notice 2004-50, Q&A 84, 2004-33 IRB 196. Contributions by a partnership to the HSA of one of its partners are deductible by the partner for income taxes but in some instances may be treated as self-employment income subject to Social Security and Medicare taxes. See IRS Notice 2005-8.
Congress created HSAs in the hope that consumers can constrain the rise of U.S. health care costs. HSAs give employees and other consumers substantial financial incentives to understand and control the primary level of their own medical expenses. If successful, HSAs could reduce or slow the increases in employers’ health care costs.

HSAs are at the early stage of development. They were only introduced in January 2004, and detailed guidance from the U.S. Treasury Department and Internal Revenue Service on the tax-related issues associated with the accounts was not fully available until later in 2004. For these and other reasons, HSAs have not yet generated a groundswell of interest among employers. In fact, 73% of the 1,925 companies recently surveyed by the Kaiser Family Foundation said they were not very likely to offer HSAs/HDHPs during the next two years. Aetna, the nation’s second largest health care plan provider, reported that less than 40 of the many employers it represents plan to offer HSAs this year.

Nevertheless, there are early indications of HSAs’ potential. At least 60% of the 270 companies recently polled by Hewitt Associates reported they are likely to offer HSAs in the near future. Several major companies, ranging from Textron to Whole Foods, have already embraced this consumer-driven approach to constraining the growth of health care costs. The preliminary results at Whole Foods are encouraging. The grocery store chain offers its 30,000 employees only one health care plan that is based on a combination of an HDHP and a precursor of HSAs — Health Reimbursement Arrangements (HRAs). Officials at Whole Foods reported that their medical-claim costs in 2003 fell 13% from the prior year. Their health insurance premium costs remained relatively flat during a period when the national average for health insurance premiums for a family of four rose about 14%.

Simply put, we appear to be at the beginning, not the end, of the HSA era. While HSAs have definite potential, the realization of this potential will depend on good design and effective implementation. This White Paper aims to help employers make intelligent choices when considering the introduction of HSA programs. Initially, it examines how HSAs work, including their relation to HDHPs and their tax advantages. Next, it outlines the critical factors to consider when designing HSAs to help constrain health care costs and treat all employees fairly. Finally, it explores various approaches to implementing HSAs, from an administrative and investment standpoint.

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“Ron Lieber, *The Wall Street Journal*, “New Way to Curb Medical Costs: Make Employees Feel the Sting,” June 23, 2004, A1. It bears emphasis that the work force at Whole Foods is atypical—it is young, with an average age of 32, prone to exercise often, and, of course, likely to eat healthy foods.
Both individuals and families can use HSAs to fund all or a part of their health care costs, in accordance with their level of yearly health care expenditures. There are two requirements for individuals or families establishing an HSA. First, they must be covered concurrently by a qualifying High Deductible Health Plan (HDHP). Second, they must not be simultaneously covered by another medical plan or receiving Medicare benefits.10

Recent IRS guidance clarifies the HSA eligibility where one spouse is covered by an HDHP and the other spouse has conventional family coverage.11 If the spouse with the HDHP coverage is excluded from coverage under his spouse’s conventional family coverage, the spouse with the HDHP will be eligible to make HSA contributions.

An employer’s role in setting up an HSA is somewhat similar to the role it plays when offering 401(k) plans: the employer selects the vendors and establishes the overall design of the plan. It is the employer who chooses the insurer and insurance coverage including the size of the deductible, the claims adjudicator, and the HSA trustee. Employers also have the choice of making an HSA/HDHP their sole health care benefit plan or offering an HSA/HDHP as an option along with other types of health care plans. In short, while employees own their HSAs, employers can set reasonable parameters for an HSA’s use to help constrain the growth in their health care costs.

The roles of employers and employees in HSAs

Employers may choose whether to offer an HSA to their employees and whether to help fund an HSA partially or fully. However, employers have no direct control over how an employee’s HSA funds are spent. The employee is clearly the owner of the account because the accounts vest immediately and they are, as noted above, portable. If an employee moves on to another job, he or she takes any remaining HSA funds along to the next job without any tax cost. That level of ownership and control puts the employee in the HSA driver’s seat, making the key decisions on how HSA funds should be invested and spent. An employer, however, still plays a major role in designing an HSA plan and choosing the vendors to implement it. (See Section III for more details.)

As long as participation in the HSA is voluntary and an employer keeps an appropriate distance, HSAs are not covered by ERISA as a welfare benefit plan. To avoid ERISA coverage, an employer, for example, must not endorse an HSA. Whether an employer is considered to have endorsed an HSA is gauged by how involved an employer is in establishing and administrating the HSA. If an employer is substantially involved in the HSA, ERISA coverage could be triggered. Thus, to avoid ERISA regulation, an employer must not represent that an HSA is an employee welfare benefit plan backed by the employer, limit contributions to or portability of the HSA (other than as required by IRS rules), improperly influence HSA investment decisions for an employee’s HSA, or receive any payment from an HSA other than reasonable compensation for services rendered in connection with payroll deductions. The fact that the employer makes contributions to an HSA will not, in itself, cause the HSA to be subject to ERISA.12

If an employer chooses to make contributions to HSAs, the employer must act in accordance with the so-called comparability rules: the employer’s contributions must be made in the same amount or in the same percentage of the deductible for the HDHP. Alternatively, an employer may match contributions to their employees’ HSAs through a cafeteria plan — similar to matching programs in 401(k) plans. While employer-matching contributions to an HSA are not subject to the comparability rules, they are subject to the nondiscrimination rules applicable to cafeteria plans. Under these nondiscrimination rules, contributions for higher-paid employees may not be larger than those made for lower-paid employees, although contributions favoring lower-paid employees are allowed.

10The question as to whether Medicaid coverage automatically disqualifies an individual’s participation in an HSA has not yet been resolved by the U.S. Treasury Department. Apparently, this is because Medicaid is a joint funding effort between the federal government and individual states, with each state having its own Medicaid program comprised of several different benefits. As a result, there are many different plans under the Medicaid banner. Ultimately, an individual’s eligibility to participate in an HSA will be determined by whether his or her Medicaid health program meets the definition of an allowable HDHP, as defined by the HSA regulations.


12In the Department of Labor Field Assistance Bulletin 2004-1, the Department concluded: “Employer contributions to the HSA of an eligible individual will not result in Title I coverage where . . . employer involvement with the HSA is limited.”
The relationship of HDHPs to HSAs

An HSA must always be combined with an HDHP (which generally will be subject to ERISA). To qualify as an HDHP, a plan must have a minimum annual deductible of $1,000 for individuals and $2,000 for families. The maximum deductible for qualifying HDHPs is $5,100 for individuals and $10,200 for families. HDHPs can also feature higher out-of-pocket copays and coinsurance for out-of-network service. In addition, HDHPs are allowed to include lifetime limits on benefits; limits to usual, customary, and reasonable amounts; precertification requirements; and limits on specific benefits, such as the maximum number of hospital days or in-home nursing care visits covered.

HSA funds are mainly used to pay for primary medical care, such as doctor visits, up to the amount of the annual HDHP deductible. HSA funds can pay for prescription drugs or over-the-counter drugs, plus other medical expenses not covered by the HDHPs. These include dental services, vision care, psychiatric and certain psychological treatment, as well as medically related transportation and lodging. HSAs can also be used to pay COBRA premiums and health care premiums during unemployment, as well as long-term care insurance. Moreover, all such qualified expenditures of HSA funds, except those used for over-the-counter drugs and insurance premiums, can be used against the insurance deductible.13

An HDHP can take the form of a Health Maintenance Organization (HMO), a Preferred Provider Organization (PPO), a Point of Service (POS) plan, or an indemnity plan. A qualifying HDHP is designed to pay for major medical expenses, rather than first-dollar health care costs, which must be initially met by the HSA or personal funds. On the other hand, an HDHP can pay for preventive care from the outset. Preventive care, as covered by HDHPs, generally does not include any service or benefit intended to treat an existing illness, injury, or condition. However, certain drugs, such as those taken by a person who has developed risk factors for a disease that has not yet manifested itself or those drugs taken to prevent a reoccurrence of a disease, may be considered preventive care. One such example would be cholesterol-lowering medication for those with high cholesterol and the potential risk of a heart attack. Other types of preventive care that may be covered by HDHPs include annual physicals, periodic screening services, such as mammograms, routine prenatal and well-child care, child and adult immunizations, tobacco cessation, and obesity weight-loss programs.14

Tax advantages of HSAs

Built into the HSA legislation are a number of tax-friendly rules, designed to make HSAs an attractive alternative health care vehicle for individuals, families, and companies. Those tax advantages can be realized at four different periods in the life of an HSA: when the funds are contributed to an HSA, while these funds are invested in the HSA, when funds are withdrawn to pay for qualified medical expenses, and when funds are transferred or rolled over from the HSA to appropriate vehicles.

Tax-Free Contributions

Employees may use pretax dollars to make contributions to HSAs. For the year 2005, as noted above, HSA tax-free contributions may be as much as an individual’s HDHP deductible but may not exceed a total limit of $2,650 for an individual or $5,250 for a family.

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<th>HSA Contribution Rules</th>
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Source: “All About HSAs,” U.S. Treasury Department.

Nevertheless, in certain plans, it would be possible for the maximum HDHP deductible to be as high as $5,100 for individuals and $10,200 for families. In those plans, annual HSA funding may still be made only up to the $2,650 limit for individuals and $5,250 for families. Anyone over age 55, however, is permitted to make an additional contribution of $600 to his or her HSA in 2005. The amount of this additional contribution will increase by $100 every year until it reaches $1,000 in 2009, and it will remain at that level thereafter.

Once an individual becomes enrolled in Medicare (generally at age 65), they may no longer make contributions to an HSA.

14U.S. Treasury Department, Ibid.
Employers may also make tax-advantaged contributions to HSAs. Employer contributions to the HSAs of their employees are tax deductible for the employer, and they are not included in the employee’s taxable income.

Tax-Sheltered Earnings
When money in HSAs is invested in mutual funds or other securities, any ordinary income and capital gains from such investments are excluded from taxation. However, as discussed in fuller detail below, it is difficult to obtain a high return from such investments because HSA funds must be available for withdrawals on short notice to pay qualified medical expenses.

Tax-Free Withdrawals
Individuals may use HSA withdrawals to pay for qualifying medical expenses without incurring income taxes. Virtually all common medical expenses, including the purchase of over-the-counter drugs, fall within this category. Such withdrawals for qualifying medical expenses are tax-free if they are made for the individual covered by the HDHP, and also if they are made for the spouse or dependents of the individual — even when the latter are not covered by the HDHP. In addition, distributions from HSAs can be used to pay for prior years’ medical expenses as long as those expenses were incurred after the HSA was established.

After an individual retires, tax-free withdrawals from HSAs continue to be permitted to cover qualified medical expenses. Although insurance premiums, in general, cannot be paid with tax-free withdrawals from HSAs, HSA funds can be withdrawn on a tax-free basis by those over age 65 to pay premium costs for Medicare Parts B and D, as well as for Part A medical premiums if an individual is required to pay them (but not to pay for premiums for Medigap — coverage beyond Medicare). In addition, HSA funds may be withdrawn on a tax-free basis to pay for COBRA insurance premiums, retiree health benefits for retirees with access to a plan, insurance premiums incurred by unemployed workers, and premiums for long-term care insurance.

Even with all of the HSAs tax advantages, it is important for individuals to remember that the tax man will step into the picture if the owner decides to withdraw his or her HSA funds to buy a high-definition TV or to make a down payment on a MINI Cooper. Withdrawals not used for medical expenses are subject to regular income tax plus a 10% penalty tax when made prior to age 65. After an individual reaches age 65, withdrawals for nonmedical expenses are subject only to regular income taxes with no penalty.15

This material is not intended to replace the advice of a qualified attorney, tax adviser, investment professional, or insurance agent. Before making any financial commitment regarding the issues discussed here, consult with the appropriate professional adviser.

Tax-Favored Rollovers and Transfers
Most importantly, any funds remaining in an HSA at the end of the year may be rolled over to the next year and subsequent years. Such a rollover provides an incentive for employees to limit their health care spending in order to lower the effective cost of their deductible in the next year.

HSAs also receive favorable tax treatment when a participant leaves his or her job. HSAs are portable, and are tax-free. If an individual moves to another job, he or she retains ownership of any remaining HSA funds without paying taxes.

HSAs have special tax advantages for spouses of HSA owners. If the owner of an HSA gets a divorce, all or part of the HSA can be transferred to the former spouse tax-free. If a married HSA owner dies, his or her spouse can inherit the HSA tax-free. However, except for when an HSA passes to a surviving spouse, an HSA does not remain in effect after an individual’s death. Instead, the funds in the deceased’s HSA will pass into his or her estate, and those funds will not be subject to HSA rules or penalties in the hands of the deceased’s heirs. The estate and/or an heir or beneficiary will, of course, be subject to any applicable income or estate taxes.

After an individual retires, tax-free withdrawals from HSAs continue to be permitted to cover qualified medical expenses.

15U.S. Treasury Department, Ibid.
Employers offering their employees health care benefits are currently faced with a difficult balancing act — keeping health care costs down while offering the best health care they can for their employees. It is not a new challenge for employers, but the tensions associated with that challenge have escalated in recent years, as health care costs have risen sharply.

HSAs, used in conjunction with HDHPs, can potentially help employers manage these challenges by encouraging employees to become better educated about their health care options and more prudent health care consumers. Whether this potential is realized depends primarily on how well HSAs are designed and implemented.

In offering employees HSA health care plans, employers need to focus on three critical design issues — how to control costs, how to treat employees fairly, and how to relate HSAs/HDHPs to other plans.

Controlling costs

Though an HSA ultimately belongs to an employee, an employer can have a major role in molding an HSA plan to help constrain the growth of its health care costs. Key variables that an employer can influence are: the HSA, the HDHP deductible, and the insurance coverage.

Setting up an HSA: The First Step

When offering an HSA to its employees, an employer must first decide what financial role it wants to play with regard to the HSA. An employer can partially fund the HSA of its employees, match its employees’ contribution dollar for dollar, fund the entire HSA, or leave funding of the HSA totally up to its employees. According to a March 2004 survey on HSAs by Mercer, 39% of the employers polled said they planned to contribute nothing to the HSAs of their employees, while 24% said they would donate $500, 17% would donate $1,000, 6% would donate $2,600, 5% would donate $1,500, and 8% would donate another amount for an average of $1,089. As noted earlier, the maximum amount that can be contributed to an HSA during the year 2005 is $2,650 for an individual and $5,250 for a family.

To determine the size of its contributions to employees’ HSAs or whether any employer contributions are to be made, an employer must balance its out-of-pocket costs against the health care needs of its work force. An employer must consider its contributions to an HSA relative to its past funding of health care premiums. It should also bear in mind that the current rate of savings for most Americans is very low.

If an employer partially or fully funds its employees’ HSAs, it must recognize that two of the most appealing features of HSAs to employees — immediate vesting and tax-free portability — create potential issues with regard to workforce mobility. HSA contributions by an employer may not necessarily generate loyalty because the employees can take all the funds in their HSAs if they go to another job. Alternatively, the HSA could prove to be a retention tool if competing employers do not offer HSAs or do not make contributions to help fund their employees’ HSAs.

How Large Should the Deductible Be?

The size of an HDHP’s deductible is a major cost variable, because the amount of the deductible will dramatically affect the cost of backup insurance coverage. For an HDHP to qualify for use with HSAs, its minimum deductible has to be $1,000 for an individual and $2,000 for a family and its maximum $5,100 per individual and $10,200 per family. Within that range, the deductible amount is up to the employer. The higher the deductible, the lower the insurance premium a company pays. In many cases, a company may want to keep premium costs for its employees the same, while realizing some premium savings for the company by offering the HSA/HDHP.

In fact, when offering its employees high-deductible insurance in conjunction with an HSA, an employer may be able to generate substantial premium savings in comparison with the cost of conventional, lower-deductible plans.
such as Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), and Point of Service plans (POS). When making such a comparison, however, an employer must examine a number of complex issues. An HSA/HDHP may carry a lower insurance premium than a conventional PPO, but it could still end up costing an employer more than the PPO if the employer decides to fully fund the HSA. For example, an employer may have been paying 60% of the PPO’s cost, while its employees picked up the remaining 40%. However, having fully funded the HSA, an employer may end up bearing 80% of the HSA/HDHP coverage costs even though its insurance premiums have declined. Its employees end up paying the remaining 20%.

In another scenario, by contrast, the HSA/HDHP might prove to be less costly than the coverage for a family in a conventional health insurance plan. In this case, the policyholder is a 40- to 49-year-old nonsmoker who is head of the family. According to the Kaiser Family Foundation, his or her average monthly premium for traditional family health care coverage in 2004 would have been $829.16 or $9,950 per year. However, if he or she had chosen an HSA qualified high-deductible family plan with a family $5,250 deductible, his or her monthly premium would have been $234 or $2,808 per year. The annual premium savings under the HDHP comes to a hefty $7,142 before taxes. Therefore, the policyholder could use $5,150 of the pretax premium savings to fund his or her HSA at the maximum level in 2004. The policyholder could also roll over any unused HSA funds to the next year. Most importantly, the policyholder would have $1,992 in premium savings for the year to do with as he or she pleased.

Ultimately, an employer has to decide what part of the health care burden it is prepared to shoulder for its employees. In terms of an HSA/HDHP, a monetary gap may exist between the amount of health care coverage an employer is willing to finance and the point at which an employee’s high-deductible insurance kicks in. The size of the gap is determined by how an employer chooses to configure the above variables. If, for instance, an employer is offering an HSA/HDHP with a $2,000 individual and a $4,000 family deductible but will only fund the HSA up to $1,000 for an individual and $2,000 for a family, then the gap for an individual is $1,000 and for a family $2,000. The financial pressure exerted by this gap can, in principle, lead to more cost-conscious health care decisions by employees if they have access to sufficient information on the prices and quality of different health care providers.

On the other hand, if an employer chooses to totally fund its employees’ HSAs as well as pay their entire health care premium, there are potential problems. When an employee contributes none of his or her own money to an HSA, the basic incentives for an employee to be a more involved and prudent health care consumer are undermined, since the employee has little financial stake in his or her health care coverage. Moreover, under such an arrangement, there is a potential for abuse. A young, healthy employee, for example, could withdraw his or her HSA funds for nonmedical expenditures, pay ordinary income taxes on the withdrawal plus the 10% penalty, and come out ahead because he or she does not have to pay the 12.4% FICA taxes on these funds. Taking such a route would be particularly attractive to young employees if they end the year with excess funds in their HSAs. They would have the assurance that their employer would fund their HSAs for the following years, and any health care expenditures would be largely covered.

Insurance’s Defining Role for HSAs/HDHPs

The HDHP deductible is one of many insurance features that can affect the structure and use of an HSA. Insurance companies package HSA/HDHP programs in a variety of ways. This variety supplies alternative health care and cost solutions to both employers and employees. One employer’s insurer may offer a totally integrated, in-network HSA/HDHP, for which it not only insures the plan participants but also distributes HSA payments to medical providers and runs the claims adjudication process. As part of its fully integrated HSA/HDHP, the insurer may further provide participants with rewards for healthy behavior, such as losing weight or quitting smoking.

On the other hand, a second insurer may offer an employer a partially integrated plan, in which the insurer handles the adjudication of claims but provides a number of options regarding the administration of the HSAs, as well as the HDHP coverage. A third insurer may have no preset offering, and may tell an employer it can design an HSA/HDHP in whatever manner the employer wishes.

18HSA Insider, Q&A, What is a Health Savings Account?, page 1.
The quality of the coverage — as well as its cost — will depend upon what insurance choice an employer makes. An employer’s choice will further affect how an employee’s HSA can be utilized. For example, since preventive care can be paid for by the insurer before the deductible is met, an employer has the choice of providing first-dollar coverage or some variation thereof. If an employer decides not to provide preventive care coverage in order to save money, an employee can use HSA funds to pay for that care and apply the expenses against the deductible. An employer must also determine what sort of insurance coverage it wants to provide once the deductible has been met. Here again, the employer has a number of options regarding in- and out-of-network coinsurance and out-of-pocket maximum employee payments — as applied to the health insurance policy after an employee has spent all the funds in his or her HSA and met the deductible.

Treating employees fairly: Reaching a balance

To treat its employees fairly, an employer should balance cost considerations with the health care needs of its employee population. In doing this, the employer should take an economic and demographic reading of its workforce with respect to the different health care needs of various subgroups.

HSAs/HDHPs are not always the right answer for everyone. For example, an HSA/HDHP with the maximum $5,000 deductible for individuals and no employer HSA funding would probably be fine for law partners who earn large salaries but would be very onerous for their administrative assistants who may be earning $40,000 a year. A law partner being paid $400,000 per year can afford to fund his or her HSA up to the $2,650 limit and pay, if necessary, the remaining $2,350 until the insurance kicks in. Finding $5,000 per year to pay for medical expenses not covered by insurance is obviously much tougher for someone earning only $40,000 per year.

Following are some issues any employer offering an HSA/HDHP will want to weigh when considering how to treat all employees fairly.

HSAs/HDHPs: A Sole Offering or Just One Employee Option?

Should HSAs, coupled with HDHPs, be a company’s sole health care offering, or should they be offered as an alternative plan along with traditional HMOs, PPOs, and POSs? What is the fair thing to do given that most companies have different health care constituencies in their workforce? These are tough questions. On the cost side, it would appear that a sole HSA/HDHP offering would be inherently cheaper than multiple offerings because it would presumably be less costly to administer one plan. However, being fair to all its employees may involve offering several plans to meet the different needs of employee subgroups.

To date, the preponderance of companies offering consumer-driven health plans, such as HSAs and its predecessor, Health Reimbursement Arrangements (HRAs), have made them available to their employees along with traditional plans. Their experience, though limited, has shown that the lower-paid workers opted for HMOs, PPOs, and POSs. Lower-paid employees were willing to pay higher premiums for the traditional plans to avoid having to pay for uncovered health care to any significant degree. By contrast, higher-paid employees tended to choose HSAs or

19Health Services Research, Volume 39, Number 4, Part II, August 2004, “Tales from the New Frontier Pioneers’ Experiences with Consumer-Driven Health Care.”
HRAs, coupled with high-deductible plans, apparently because they were willing to trade off savings in insurance premiums for potentially higher out-of-pocket costs.

The HSA/HDHP Dilemma: One Size Does Not Fit All

For young and healthy workers who have time and money to save, HSAs coupled with HDHPs are a big plus. HSAs/HDHPs give this group of workers an attractive, tax-efficient way of saving for the time when health care costs can mount. They also provide workers with considerably lower insurance premiums along the way, as well as more discretion in choosing health care plans later in their lives. Until such a time, they are likely to be confident that their medical bills will remain low unless they experience a catastrophic event, such as a heart attack. Then, the high-deductible insurance would be activated to pay the bills.

For the small business employer who may not provide any employee health coverage for its employees, or who is considering canceling employee health insurance because of spiraling costs, HSAs/HDHPs offer a less expensive alternative to traditional HMOs, PPOs, and POSs. The same is true

<table>
<thead>
<tr>
<th>How does an HSA work when compared with a traditional HMO plan?</th>
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</thead>
<tbody>
<tr>
<td><strong>Plan Assumptions:</strong></td>
</tr>
<tr>
<td><strong>HMO</strong></td>
</tr>
<tr>
<td>$15 Office Visit copay</td>
</tr>
<tr>
<td>$50 outpatient copay</td>
</tr>
<tr>
<td>$100 inpatient copay</td>
</tr>
<tr>
<td>Assume 30% tax rate</td>
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</table>

<table>
<thead>
<tr>
<th><strong>Assuming an individual enrollment with average to above average plan usage</strong></th>
<th><strong>Assuming an individual enrollment with below average plan usage</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HMO Plan</strong></td>
<td><strong>HDHP with HSA plan</strong></td>
</tr>
<tr>
<td>Deductible</td>
<td>n/a</td>
</tr>
<tr>
<td>Employer Contribution</td>
<td>n/a</td>
</tr>
<tr>
<td>Employee Contribution</td>
<td>$200</td>
</tr>
<tr>
<td>(assuming with limited reimbursable expenses employee did not contribute to FSA)</td>
<td></td>
</tr>
<tr>
<td>Tax savings</td>
<td>$60</td>
</tr>
<tr>
<td>Copays</td>
<td>$200</td>
</tr>
<tr>
<td>Claims</td>
<td>n/a</td>
</tr>
<tr>
<td>Deductible</td>
<td>n/a</td>
</tr>
<tr>
<td>Employer Contribution used</td>
<td>n/a</td>
</tr>
<tr>
<td>Employee Contribution used</td>
<td>$200</td>
</tr>
<tr>
<td>Employee Gain or Loss</td>
<td>-$140</td>
</tr>
<tr>
<td>(based on out of pocket expenses offset by any tax savings)</td>
<td></td>
</tr>
<tr>
<td><strong>Tax-Deferred Investment Account Balance</strong></td>
<td>$0</td>
</tr>
</tbody>
</table>

*An employee subscriber population of approximately 1,800 from a firm in the financial services industry was used to create the average copay and average claims figures.

**Based on hypothetical usage of two office visits during a plan year.

The charts show the impact that an individual’s health care usage can make on their out-of-pocket expenses, and the benefits of choosing an HSA plan for low health care users. The impact on high users can be managed by the employer through changes to plan parameters, including deductible levels, coinsurance level, and out-of-pocket maximums. These users now have greater incentive to try and impact their own costs by becoming more involved in managing their health care expenses.
for self-employed individuals or other individuals who finance their own insurance. HSAs/HDHPs can be attractive because they offer more tax incentives and lower insurance premiums than traditional health care plans. However, for growing families, older employees, and those with chronic ailments, the HSA/HDHP combination may not fully cover their relatively high health care needs. Ample evidence suggests that heavy users of health care may be better served by low-deductible HMOs, PPOs, and POSs because such plans cover daily, weekly, or monthly health care expenses more fully and require fewer out-of-pocket expenditures than HSAs/HDHPs do.

**Embedded Deductibles: How to Handle Fairly**

When deciding on the design of deductibles, the employer should also consider the relationship between individual and family deductibles. Under the deductible structure in many conventional plans, if one member of a family is ill while the others are healthy, that one individual will be considered to have met the deductible when he or she reaches the deductible set for individuals (not families) in the plan. Family members who have not met the individual deductible will begin receiving benefits when the family’s aggregate expenses meet the plan’s family deductible limit. HSA-based health plans do not allow such “embedded” deductibles if the plan’s individual deductible is less than the minimum family deductible allowed under the regulations (currently $2,000 per year). For example, a plan with an overall family deductible of $5,000 per year and an embedded individual deductible of $2,000 per year would be permitted under the HSA rules. However, a plan with a family deductible of $5,000 per year but an embedded individual deductible of $1,000 per year would not qualify. This isn’t a problem if an employer wants to implement a plan with high deductible for an individual, but it may restrict plans that want to use lower deductible levels for individuals of less than $2,000 per year.

**Adverse Selection: A Long-Term Issue of Fairness**

An employer may offer its employees the choice among four types of plans: HSA/HDHP, HMO, PPO, and/or POS coverage. But there is no guarantee that the premium price relationship between the HSA/HDHP and the three traditional plans will remain static for very long. As a result of adverse selection, the cost for the latter three could rise dramatically over time and prove to be too expensive for those who need health care coverage the most.

When a company offers both high- and low-deductible insurance coverage, its employees are likely to split into two groups. As we’ve seen, most young, healthy workers, with few family concerns, will opt for the lower-cost, high-deductible coverage and the tax-efficient savings provided by an HSA. By contrast, heavy users of health care services — families, older employees, and those employees with chronic health problems such as diabetes — would probably choose the full coverage offered by an HMO, PPO, or POS. If this bifurcated pattern occurs, then premiums for HMOs, PPOs, and POSs will grow faster than those for HDHPs and could eventually become unaffordable for many.

Some firms with multiple plan designs have been successful in controlling costs by engaging only one insurer (sole source) for all of their plans. The expanded book of business allows an insurer, or stop-loss insurer for self-insured plans, to spread the risk over a larger pool — often permitting the insurer to be more aggressive in pricing. For example, an employer that offers both an HDHP and HMO may experience adverse selection when its employees choose the HMO. Although the experience of the plans may be rated individually, an insurer with all of a firm’s health care business can take a cost-neutral approach to the business, offsetting the higher-cost plan against the lower-cost one. An insurer offering only the higher-cost plan with worsening experience and shrinking enrollment, by contrast, would have to raise the insurance premiums for the plan facing the adverse selection.

For the small business employer who may not provide any employee health coverage for its employees ... HSA/HDHPs offer a less expensive alternative to traditional HMOs, PPOs, and POSs.
How HSAs/HDHPs relate to other plans

To understand how an HSA/HDHP plan works, it helps to know how they differ from previous consumer-driven offerings, such as Health Reimbursement Arrangements (HRAs) and Flexible Spending Accounts (FSAs), how their use can exclude participation in other plans, and how they stack up against conventional low-deductible plans.

HSAs vs. HRAs and FSAs

Let’s begin by taking a brief look at how HRAs and FSAs operate. HRAs, which predate HSAs by about a year, are employer-funded health plans that reimburse employees for qualified medical expenses on a pretax basis. They are usually offered to employees as part of a health benefits package that includes comprehensive health insurance after a deductible has been met, though they can be offered on a stand-alone basis. Employees are eligible for HRAs only when their employer offers such health plans.

FSAs, on the other hand, have been around for more than two decades. They provide employees an easy way to use their pretax dollars to pay for health care services not covered by health insurance. FSAs can be offered on a stand-alone basis or as part of a larger cafeteria plan, under which participants have a variety of benefits from which to choose.20

The chief difference between an HSA and an HRA is that an employee controls and owns an HSA, while an employer controls and owns an HRA even though it is for the benefit of an employee. An HSA is also funded with real money by the employee or employer or both, whereas an HRA is usually a notational account that is funded solely by an employer as an employee’s medical expenses arise. With an HSA, an employee has the right to roll over any funds left in his or her account into the next year and retirement. An employee takes his or her HSA with him or her if they leave their current employment. In the case of an HRA, an employer decides whether an employee can roll over his or her account into the next year or carry it over to the next job. HRAs are, however, more flexible than HSAs and can be designed to pay for specific health needs, such as chronic health problems or health insurance. Unlike HSAs, HRAs do not have to be paired with HDHPs, although they frequently are.

In many ways, FSAs are HSAs’ principal predecessor because both types of accounts can be funded by employees and employers. There are, however, some major differences between the two. For example, if an employee doesn’t use the funds placed in an FSA during one year, he or she loses them. Unlike an HSA, there is no rollover or portability

<table>
<thead>
<tr>
<th>Comparison of HSAs/FSAs/HRAs</th>
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<tbody>
<tr>
<td>HSAs</td>
</tr>
<tr>
<td>Health Plan type</td>
</tr>
<tr>
<td>Carry over from year to year?</td>
</tr>
<tr>
<td>Individual owns account—keeps even after leaving Job</td>
</tr>
<tr>
<td>Type of coverage?</td>
</tr>
<tr>
<td>Who contributes?</td>
</tr>
<tr>
<td>How taxed?</td>
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20Health Services Research, Volume 39, Number 4, Part II, August 2004, “Tales from the New Frontier Pioneers’ Experiences with Consumer-Driven Health Care.”
of FSA funds even though part or all of the funds belong to the employee. Funds remaining in an FSA at the end of a year are lost so far as the employee is concerned.

**HSA/HDHPs’ Lack of Compatibility With Other Plans**

To contribute to an HSA plan, an individual must be covered by a qualified HDHP and must not be covered by any non-HDHP that provides any of the same benefits. The most common instance of conflict comes with prescription carve-out plans in which the prescription drug component is removed from the primary health plan and covered separately under its own plan. Although this participation in the prescription plan would disqualify an HSA participant, there is transition relief in place that will allow prescription carve-out plans to coexist with HSAs until January 1, 2006. In addition, an employee cannot participate in a conventional HRA or FSA and be covered by an HSA/HDHP program, although participation is permitted if the HRA/FSA is modified to ensure there is no overlap in coverage with the HDHP. The U.S. Department of the Treasury does allow certain HSA/HRA/FSA combinations. They include:

- “Limited purpose” HRAs and FSAs that pay for only permitted benefits, such as vision, dental, and preventive care expenses.
- “Postdeductible” HRAs and FSAs that provide benefits only after the minimum annual HDHP deductible of $1,000 for a single person or $2,000 for a family has been met.
- “Suspended” HRAs in which an employee elects to forego health reimbursements other than vision, dental, and preventive care expenses from the HRA during the period he or she is covered by an HSA/HDHP plan. (However, under this arrangement, an employer can make contributions to an employee’s HRA during this suspension period.)
- “Retirement” HRAs that pay health care expenses only after an employee retires. (Upon retirement, employees lose their right to contribute to their HSA.)
- Employee Assistance Plans. Employees can still benefit from Employee Assistance programs even when they are covered by HSAs/HDHPs.21

**How HSAs/HDHPs Stack Up Against Conventional PPOs, POSs, and HMOs**

Basically, HSAs/HDHPs are very compatible with PPOs and POSs. In fact, some major insurers’ sole HSA/HDHP offerings are actually high-deductible PPOs that have been modified to qualify as HDHPs that can be offered with HSAs. HMOs, on the other hand, are not as compatible with HSAs/HDHPs. A consumer-driven, high-deductible HMO would run counter to the whole health maintenance organization concept of providing relatively inexpensive, comprehensive health care. An HMO plan member does not have to shop the HMO network for the best-priced, most-qualified care. The HMO is supposed to have already performed that function for the health care consumer.

21U.S. Treasury Department, Ibid.
As we’ve seen, HSAs paired with HDHPs hold the promise of significantly changing the health care landscape for both employers and employees as better-educated health care consumers potentially play a role in constraining the growth of the primary level of health care costs.

Reaching these goals, however, will be no easy task. For HSAs to succeed, employees must be provided with network support that can respond effectively to employees’ queries, investment-plan offerings that can accommodate an HSA’s short- and long-term investment goals, cost-efficient claim processing, and easy access to their HSAs. Employees also need to be given useful information regarding the quality and cost of health care providers, as well as details on how HSAs differ from PPOs, POSs, and HMOs.

Because HSA/HDHP plans are relatively new, however, many aspects of such plans have not yet been fully developed. As one example, there is currently no insurance system in place to distinguish between a claim for preventive care and one for an illness — an important distinction given that preventive care can be paid for on a first-dollar basis under HSA/HDHP rules, while an illness claim must apply to the deductible.

Launching an HSA/HDHP: Choosing the best route

The best way for an employer to offer HSA/HDHPs is through a health insurer that also provides an HSA administrator and claims adjudication as part of its plan. In the end, such an arrangement will be less costly and more efficient for employees. In this early stage of HSA/HDHP implementation, it doesn’t make much sense for an employer to offer employees an HDHP and expect them to find their own HSA administrator. Using a separate administrator for the HSA, such as a bank or financial institution not affiliated with the insurer offering the HDHP, will be costly and complicate the processing of claims.

Health insurer discounts are a case in point. Insurance companies negotiate discounted prices with doctors, hospitals, and pharmacies that are lower than the full-price charges uninsured consumers have to pay. HSA owners are supposed to get the benefit of their HDHP insurer’s discounts when they pay their bills. Obviously, it is much easier and less costly for an employee to take advantage of these discounts if an employee’s insurance company provides all claims adjudication.

In launching an HSA/HDHP, an employer should examine the size and quality of a health provider’s network. An employer should also ascertain what sort of discounts its network provides and how well its claim processing works.

With regard to the investment aspects of an HSA, employers can offer alternatives designed to finance current or short-term medical expenses, or long-term investing to finance medical needs at retirement. In the latter case, the HSA owner would want the full range of investment options currently available with 401(k) plans. For example, a highly paid executive could choose to pay out of pocket all the deductibles for his or her HDHP and use the HSA as a tax-advantaged vehicle to build up savings. He or she could later withdraw the savings to finance postretirement medical services, such as long-term nursing care or prescription expenses not covered by Medicare. However, the vast majority of plans will be for current use and be invested in short-term money market funds because money in the HSA must be available on demand to pay current medical expenses. Banks, insurance companies, and persons approved by the U.S. Secretary of the Treasury may serve as trustees for HSAs.

If an employer does choose to offer its employees HSAs/HDHPs, it needs to decide whether it wants to select an insurer’s HDHP in conjunction with an HSA, or whether it would prefer to self-insure and hire vendors to administer the HSA/HDHP.
Choosing to self-insure

If an employer decides to self-insure and hire vendors to manage its HSA/HDHP plan, there are many options from which to choose. Among the range of alternatives available, the principal variables are the level at which the HSA will be integrated with the HDHP, how claims are adjudicated, and what sort of financial institution will administer the HSA.

Any decision to self-insure a health plan carries a responsibility to determine your company’s tolerance for financial risk. As with traditional plans, stop-loss insurance can be secured to mitigate some of the risk and protect the plan from large financial losses due to catastrophic illness of certain plan members. A number of insurers provide this coverage, while many third-party administrators either offer the coverage or broker the coverage on behalf of their clients.

Already some 50 insurers, including Aetna Inc., Cigna Corp., United Health Group, Anthem Blue Cross & Blue Shield, Harvard Pilgrim, and Tufts, are offering qualifying HDHPs. Moreover, at least 20 financial firms, such as J.P. Morgan Chase & Co. and Mellon Financial Corp., are marketing HSAs. In addition, Destiny Health Corp. will help an employer design its entire HSA/HDHP.

Back-office service providers, such as PFPC and DST Systems, offer administration and recordkeeping services for HSAs. In addition, these providers will offer an assortment of mutual funds with administrative support and payroll processing. Third-party administrators are also getting involved in HSAs. CaliforniaChoice, the state’s leading developer and administrator of consumer choice health care benefits, is in partnership with HSA Bank of Sheboygen, Wisconsin, to offer HSAs to its customers. HSA Bank offers two funding options — an interest-bearing, FDIC-insured bank account and a mutual fund account through a partnership with Fiserv Investors Services.

Educating employees: Key to HSA/HDHPs’ success

For HSAs/HDHPs to succeed, it is incumbent upon employers to provide employees with the right tools and facts to make educated decisions about their health care. In deciding to sign up with an HSA/HDHP, an employee should understand the relative merits of HSAs and other more conventional plans, such as HMOs, PPOs, and POSs. An employer should also provide an employee with good, comparative information on the quality and cost of health care providers so that the employee can be an astute and cost-conscious health care consumer.

HSAs can provide significant financial motivation for an employee to become a more thoughtful health care consumer, but only if the employee has enough information to make an intelligent health care choice. The HSA incentive is twofold — first, the money in an HSA is employee owned and, when unspent, HSA balances can be rolled over to the next year; and second, employees are responsible for covering the monetary gap that may exist between an HSA’s funding and an employee’s insurance deductible. These two factors can be big motivators in making employees take a more active role in constraining the primary level of their health care costs.

While there is plenty of information about the differences between HSAs and traditional health care offerings, information about the cost and quality of health care providers remains sketchy at best. Most health care providers do not make detailed disclosures to the public about their charges for each medical service.

When hospitals do open their pricing books to the public, it doesn’t necessarily mean that consumers will be fully educated. A new California law has ordered hospitals operating in the state to open up their “chargemasters” books that show thousands of list prices hospitals charge the
uninsured for drugs and services. Although the price variations revealed among hospitals is quite astonishing, they are list prices and do not reflect the actual discounted prices insurers pay. Thus, it would be very difficult for an individual to negotiate a fair price using chargemasters’ book prices. Still, it’s worth knowing that one Tylenol costs $7.06 at Scripps Memorial La Jolla and nothing at Sutter General in Sacramento, while a CT-brain scan costs $950 at San Francisco General and $6,599 at Doctors Hospital in Modesto.22

In addition to a lack of good health care information for employees, employers face another hurdle in offering employees new insurance plans such as HSAs/HDHPs — employee skepticism. A large percentage of employees — close to 70% — are very skeptical about the sort of information employers offer regarding health care plans and the quality of health care. According to a recent Kaiser Family Foundation survey, employees feel such information is often self-serving and not in their own best interest.23 Such sentiment must be confronted by employers, and efforts must be made to change these attitudes. Better health care information on cost and quality would certainly be a step in the right direction.

Weighing all the issues

As a new vehicle for financing health care, HSAs present employers with several challenges. Critical to an employer’s success with HSAs will be good plan design and effective implementation. Throughout the process of introducing HSAs, employers will have to balance cost considerations with the need to treat employees fairly. In addition, for HSAs to work effectively, employers must provide employees with the right tools and facts to make good health care decisions on their own.

This White Paper has provided employers with a concise explanation of the complex features of HSAs used in conjunction with HDHPs, and a practical guide to the many issues that employers must address in deciding whether to establish HSAs for their employees.

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**Exposure To and Use of Quality Information**

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<tr>
<th></th>
<th>2004</th>
<th>2000</th>
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<tbody>
<tr>
<td>Health Insurance Plans</td>
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<tr>
<td>Hospitals</td>
<td>22%</td>
<td>15%</td>
</tr>
<tr>
<td>Doctors</td>
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<td>9%</td>
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<td>Percent who say they saw information on any of the above...</td>
<td>35%</td>
<td>27%</td>
</tr>
<tr>
<td>Percent who say they saw quality information in the past year and used this information to make health care decisions...</td>
<td>19%</td>
<td>12%</td>
</tr>
</tbody>
</table>


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APPENDIX

Fully vs. Partially Integrated Insurers

For the employer who chooses to offer HSAs/HDHPs through an established insurer, a wide variety of plans are available. This range is represented by fully integrated Tufts “Liberty Health Plan” to Harvard Pilgrim’s somewhat less integrated plan.

Tufts’ totally integrated Liberty Health Plan is offered in conjunction with Destiny Health. Under their agreement, Tufts provides its health care network as well as its sales force, while Destiny administers the HSA and adjudicates employees’ claims. Destiny also designed the plan, which includes:

- An HDHP with a deductible designated by the employer. The plan, called “Insured Benefits,” is structured like a traditional PPO. It reimburses at different coinsurance levels for in- and out-of-network services and pays 100% of eligible costs after the annual stop-loss amount is met.
- An interest-earning “Personal Medical Fund,” or HSA in disguise, which Destiny administers.
- A “Vitality” health and wellness program that rewards employees who make healthy lifestyle choices, such as getting preventive health care, exercising, and not smoking. Rewards include higher interest rates on their Personal Medical Funds (PMFs), airline travel miles, discounted health club privileges, and a chance to lower out-of-pocket costs.
- Tufts’ “Total Health Care” package, which includes predictive modeling software to identify members with serious health conditions; disease management programs for chronic conditions, such as diabetes, end-stage renal disease, chronic heart failure, and asthma; and a pharmacy management program.
- A customer care center available to give plan participants advice about their plan and a nurse advice line available 24 hours a day, 7 days a week.
- Plan enhancements through the use of riders to cover such medical costs as medication for chronic health conditions, and integrated administration and support of its PMFs, HDHP, and Vitality program.

The Harvard Pilgrim HSA/HDHP is a less integrated plan that is basically a high-deductible PPO. It includes:

- Three high-deductible plan choices with no embedded deductibles — $1,500 to $3,000; $2,000 to $4,000; and $3,000 to $6,000.
- At the start of the plan, Harvard Pilgrim will adjudicate all claims. Members will pay nothing at point of service other than listed copayments where applicable, and will be billed later when appropriate.
- Harvard is developing a referral relationship with Mellon Bank and will be sending them eligibility information about the HDHP enrollees.
- Harvard provides medical decision support to its members and is enhancing and adding tools to support the HSA products.
- The Harvard plan will use debit cards or checks for payment.
- Harvard is concerned about adverse selection issues because the potential for them to arise exists.

Contacts for More Information

U.S. Treasury Department: Assistance and Information
www.treas.gov/offices/public-affairs/hsa
The site contains all Treasury Guidance and Model HSA trustee and custodian forms.
E-mail address: HSAINfo@do.treas.gov
Voice Mailbox: 1-202-622-4HSA

U.S. Treasury Department Recommended Resources

www.hsadecisions.org
HSA Decisions — gives detailed lists of HSA providers and their services on both a company and state-by-state basis. The Web site, sponsored by America’s Health Insurance Plans (AHIP), an association representing 1,300 member companies providing health insurance coverage, also publishes selected HSA health care articles.

www.hsainsider.com
The HSA Insider — provides lists of HSA insurers on a state-by-state basis. The Web site, which was designed to answer employer and employee questions about HSAs, runs numerous HSA-related stories from a number of sources, as well as producing its own interviews and articles on HSAs and relevant HSA topics.

www.naic.org
The National Association of Insurance Commissioners (NAIC) — a Web site where one can contact state insurance departments.
Robert C. Pozen is Chairman of MFS Investment Management®, which manages approximately $146 billion for more than 5 million investor accounts worldwide.

In 2001 and 2002, Bob served on the President’s Commission to Strengthen Social Security. As Secretary of Economic Affairs for Massachusetts in 2003, he worked to help close the state’s large budget gap.

Bob was formerly vice chairman of Fidelity Investments and president of Fidelity Management & Research Company, the investment adviser to the Fidelity mutual funds. Before joining Fidelity, Bob was associate general counsel to the Securities and Exchange Commission.

Bob has taught at Harvard Law School and authored many articles and several books, including the main textbook on the mutual fund industry, The Mutual Fund Business.

Bob earned a B.A. degree summa cum laude from Harvard College and a law degree from Yale Law School.