LCOG Health Insurance Design Team
Health Plan Comparison Guide

AUGUST 2012

	HRA (current LCOG Plan) *Health Reimbursement Arrangement*	**HSA** *Health Savings Account*	**Copay Plan** *Traditional Plan*
Overview:	Typically a "High Deductible Health Plan" Employer bookkeeping account for medical expenses; allows carryover and accumulation	"High Deductible Health Plan" Portable, personal trust account for medical expenses; offers great availability and flexibility	Copays for office visits and pharmacy; deductible for most other services. No fund of employer or employee money for out of pocket expenses
Primary **<u>advantages:</u>**	✓ Unrestricted health plan options. ✓ Greatest control for employers. ✓ Employer funds account—total flexibility in amount funded. ✓ Full amount of employer contribution is available on the first day of the plan year ✓ Claim substantiation required (employer). ✓ Can coordinate with a Flexible Spending Account- FSA ✓ Unused HRA contributions can rollover from year-to-year	✓ Both employer and employees can contribute ✓ Portable (Employee owned) ✓ Flexibility in when and how employees can make contributions during the plan year ✓ Excellent for long-term savings. ✓ Can earn investment income- wide range of investment options. Investment earnings are not subject to taxation ✓ Flexibility regarding use of funds (cash option). ✓ No claims substantiation required	✓ Unrestricted health plan options ✓ No additional tracking for employer funds ✓ Can be combined with FSA ✓ Office visits and Rx do not require the deductible to be met (pay copay only)

	HRA (current LCOG Plan)	HSA	Copay Plan
		(employee). ✓ HSA insurance premium rates are about 2% lower compared to a similar HRA (based on PacificSource's pricing)	
Primary **<u>disadvantages:</u>**	✓ Employee contributions not allowed. ✓ (Flexible Spending Account- FSA contributions are not allowed to rollover) ✓ No investment earnings unless plan is set up under a VEBA ✓ Requires employee substantiate claims to a third party administrator (Manley)	✓ Requires qualifying high-deductible health plan. ✓ Participant may not have any other (non-qualifying) health coverage. ✓ Deductible is calendar year only—family deductible is an aggregate deductible. ✓ Employers have less control over funding, vesting and portability options. ✓ Coordination with FSA is limited. ✓ Can't contribute funds after age 65. ✓ **Employee only has access to funds in the bank account – Employer's contribution may be front loaded at the beginning of the year but there is risk to employers who do this**	✓ Employer funded contribution not available ✓ Higher premiums with no credit for employees who have low health care costs ✓ Copays do not apply to the out-of-pocket limits ✓ No savings for future health care costs ✓ Higher premium trends ✓ Low incentive to cost compare services (consumerism)

	HRA (current LCOG Plan)	**HSA**	**Copay Plan**
Who administers?	Employer, typically via TPA (Third Party Administrator.)	Typically bank trustee.	N/A
Who contributes funds?	Employer only	Individuals, employers, employees in any combination.	N/A
Maximum annual contribution:	Maximum annual reimbursement determined by employer (LCOG's current annual contribution is $1,800). **Note**: the Flexible Spending Account will include an election limit of $2,500 in 2013.	$3,250 for singles/$6,450 for families (indexed annually); catch-up contributions allowed for employees' age 55+ of $1,000. **Note:** both employer and employee contributions apply to the maximum annual contribution limit.	N/A for PPO plan, if employee elects to participate in Flexible Spending Account plan will include an election limit of $2,500 in 2013
Can ALL employees participate in all aspects of the plan?	Yes, if they meet eligibility for the LCOG benefits they can use the HRA funds	All eligible employees can be enrolled on the medical plan but <u>some will be disqualified</u> from contributions to the Health Savings Account. (Ex: Medicare Eligible or covered on another health plan or FSA plan)	Yes, if they meet eligibility for the LCOG benefits they can be enrolled on the plan
Who owns funds?	Employer	Individual or employee	N/A
Are funds portable?	No, but may be accessed by employee after employment ceases.	Yes (Account is in employee's name and may be transferred from one trustee to another)	N/A
Can unused funds roll over?	Yes, at employer's discretion	Yes	If FSA is used this does not have any rollover

	HRA (current LCOG Plan)	HSA	Copay Plan
Tax advantage to employer?	Yes—reimbursements are tax deductible. Premiums paid by employer and payroll deducted are not taxable	Yes—contributions are tax deductible. Premiums paid by employer and payroll deducted are not taxable	Premiums paid by employer and payroll deducted are not taxable
Tax advantage to employee?	Yes—reimbursements are tax exempt. Premium payroll deduction is taken out pre-taxed	Yes—employee contributions are deducted pre-tax through cafeteria plan or tax deductible above the line. Employer contributions to employees are not taxable. Premium payroll deduction is taken our pre-taxed	Premium payroll deduction is taken our pre-taxed
Reimbursable expenses	**Determined by employer**; can include any IRS Section 213-allowable medical expense that is not otherwise compensated and medical insurance premium. COBRA, long term care coverage, health insurance while unemployed, Medicare Parts A & B, Medicare HMO and employer-sponsored retiree health insurance plans.	Any IRS Section 213-allowable medical expense that is not otherwise compensated; premium for COBRA, long term care coverage (though there are some limitations), health insurance while unemployed, Medicare Parts A & B, Medicare HMO and employer-sponsored retiree health insurance plans.	N/A

Can funds be used for non-qualified medical expenses?	No.	Yes—but if under age 65, taxable and subject to 20% penalty.	N/A
Is claim substantiation required?	Yes—typically done by a Third Party Administrator (TPA) such as Manley.	No; account holder is responsible for accurately reporting account distributions to IRS and keeping documentation of claims for possible audit.	No- unless the non-network provider does not submit claims on behalf of the patient.
Can debit/stored value cards be used?	Yes.	Yes.	Not on PPO plan, but may be used for accompanying FSA plan.
Health plan requirements:	No plan restrictions or requirements.	Qualifying high-deductible health plan (see below).	No plan restrictions or requirements.

What makes a health plan HSA-eligible?

There are special rules as to what qualifies as a high-deductible health plan (HDHP) for HSA purposes:

- The minimum allowable deductible is $1,200 for self-only coverage and $2,400 for family coverage. The amounts are indexed for inflation.
- The out-of-pocket limit may not exceed $6,050 for self-only coverage or $12,100 for family coverage, including deductibles, for in-network benefits. These amounts are indexed for inflation. There is no restriction on out-of-network benefits.
- The deductible can only be waived (but doesn't have to be) for preventive care. No other first-dollar coverage may be included in the plan coverage.

Other comments- both HRA and HSA plans are governed by the IRS regulations. Insurance premium rates increase for both plans if the level of the employer contribution to the savings account increases.