

INSURED OPTIONS: HIGH DEDUCTIBLE HEALTH PLANS

By, Lynn Weirich and Kim Moore

Where is health care headed? That would be anyone's guess at this point. What we know is that efforts to modify the Affordable Care Act (ACA) so far have failed. It is a massive law, and there has been no consensus on an overall fix. Currently, there is some work under way to try to fix certain provisions both sides can agree on, but we're likely going to have the results of the ACA with us for a long time to come.

While all this occurs in the political realm, the truth of the matter is that most people want health insurance. The reality is that employer-sponsored plans are still the most cost effective way to get comprehensive coverage.

PLAN DESIGN

While our friends in Washington work to try to amend the law that affects our insurance, the costs of health care continue to rise. Health insurance is expensive because health care is expensive. Humans are living longer and need expensive care for longer than ever anticipated.

Insurance, at its basic design, is supposed to cover the catastrophic expenses. Car insurance doesn't cover our flat tire or oil change, but we want our health insurance to cover everything. We think, "If I'm paying high premiums, why doesn't it cover everything?" It can cover everything, but when we use it to do that, its costs will go up and could become unaffordable.

If we step back and think about using insurance like a financial tool (to protect against the big risks while we budget for the small stuff), it makes sense to consider the **High Deductible Health Plan (HDHP)-Health Savings Account (HSA) concept**. HDHP plans are designed to give you an insurance plan to cover higher cost medical care and catastrophic expenses with lower premiums. Then employees can use the savings account to pay for first dollar and budgetable health care expenses.

The HDHP is coupled with an HSA that can be employer-, employee-, or jointly-funded and allows the employee to take their savings and put it in a tax-favored account in the employee's name. The unused dollars can be carried forward year after year, all the way into retirement to offset some of the high health care expenses we'll have in retirement. One thing that our friends in Washington do agree on is that HSA contribution limits should be increased—as much as doubled—to allow people to save for health care expenses on a tax-advantaged basis.

An HDHP will not be a fit for everyone, but employees like choice, so this is a great option to add to your benefit program. In addition, the costs associated with the HDHP will appeal to employees who traditionally have low health care costs.

Benefits of High Deductible Health Plans (HDHPs)

- **Lower Premiums**
Because of the high deductible, these plans are usually less expensive than traditional insurance.
- **Consumer-Driven Healthcare**
Employees are responsible for the high deductible and so will have a stake in keeping their own costs low. When combined with an HSA, employees view the money as their own because it is!
- **Lower Administration Burden**
The administration burden is transferred to the employee and their HSA custodian unlike FSAs and HRAs; however the employee also gets more control over how money is spent and added to the account.
- **Tax Deductibility at Employee Level**
In addition to the pre-tax contributions made through the employer, employees also have the ability to make their own HSA contributions directly and still receive a tax deduction.

OTHER EMPLOYEE BENEFITS TO CONSIDER

Many types of supplemental coverage are available. Supplemental benefits are often provided on a voluntary basis, so employees get the benefit of buying through work at lower rates while the employer simply makes the benefit available but does not pay anything for it.

Disability Insurance

Interestingly, disability coverage can be overlooked: Most people don't think about what would happen if they were sick or hurt and couldn't work. **About 62% of personal bankruptcies and half of home foreclosures in the US are due to a breadwinner getting sick or hurt and not being able to work** (Council for Disability Awareness, July 2017).

Disability coverage is very inexpensive compared to what we pay for medical coverage for employees. In a 50-employee company, the total monthly premium for all employees, including coverage on the owners is typically equal to what you pay for 2 employees' monthly health insurance premiums.

Long Term Care Insurance

Long Term Care is also a huge need for employees. Long-term care is not just for the elderly. We are not dying as often from the things that used to kill us, such as stroke, heart attacks, cancer, and dementia. But we, or our parents, need help to function in daily life. There are 2 ways we can help: provide optional long-term care coverage and work with employees that need time to deal with aging parents. If your company qualifies for FMLA, this is a covered situation.



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