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Health Savings Accounts can slow benefit cost rise

By Jim Kendall | Daily Herald Columnist

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The increase in the cost of health care benefits is "still double digits, 10-12 percent in the insurance company pricing models," says Jim Patrician.

But after employers do their tinkering to avoid the worst of the increases - raising the deductible or perhaps dropping the drug card - the average premium increase this year has been 7.4 percent, Patrician says.

Then the conversation with Patrician, senior vice president at Coordinated Benefits Co., LLC, Schaumburg, gets truly interesting: The average increase for what insurance people call consumer driven health benefit plans - essentially the Health Savings Account approach - is running just 4.7 percent.

Created by Congress in 2003 as an antidote to escalating health benefit costs, the HSA is just beginning to make an impact in the benefits marketplace.

"It's a difficult sell," admits Gary Skarr, vice president at Human Resource management Services, LLC, a Naperville benefits consulting firm. "It takes a good six months of education" before employees grasp - and accept - the benefit.

The HSA is a high-deductible health care plan with what under traditional plans would be co-pay and deductible amounts covered by insurance paid instead by employees drawing upon contributions they have made to their individual Health Savings Accounts. Employee contributions are pretax. Employers can match contributions but are not required to do so.

For 2009, the minimum deductible for an HSA is \$1,150 for an individual and \$2,300 for family coverage. Maximum contributions, including anything from the employer, are \$3,000 and \$5,950.

Employees 55 or older can add \$1,000 in catch-up contributions.

What turns employers on about the HSA is its ability to lower benefit costs.

"We were on track for a 23 percent increase," says Dave Davenport, president of Itasca-based Mother Network Guardians, LLC, an IT managed services company that, with its sister company, TransTech Solution Staffing, provides health benefits to 25 corporate employees.

The companies offered a PPO and an HMO. Now an HSA is part of the mix, and the companies' overall health benefit increase is in the single digits.

"We were forced to do something. The slope we were on was killing us," Davenport says. Something was the HSA, which "gives us similar benefits to last year, except in how the deductible is paid. We have a more manageable cost."

Much of the issue for employees is learning to manage a different payment scenario. Now it matters how much the doctor charges for an office visit, because it's no longer \$40 and insurance pays the rest; the employee and his, or her, HSA pay it all, until the deductible is met.

Patrician points out that HSAs have added benefits for employees. Unused funds roll over at the end of the plan year, for example, and money in an HSA goes with an employee in a job change.

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