

CONSUMER PRODUCT INFORMATION

Traditional versus Consumer Benefit Plan Comparison

Health insurance costs have become an increasing financial burden for small businesses and their employees. Employee contributions for health insurance have been increasing each year and the national average is approximately 30%. Many small businesses are turning to consumer driven benefit plans to reduce burdensome health insurance costs.

Consumer directed benefit plans are high deductible benefit plans that significantly reduce health insurance costs for employers and employees. These plans may be linked to HSA accounts that bring financial benefits to employees.

The health insurance marketplace is moving towards consumerism. It is interesting to note that the LIA Health Alliance (LIAHA) has always been a consumer oriented product. So these new consumer driven benefit plans fit nicely under the consumer umbrella provided by the LIAHA.

Employee Advantages:

- 1 - Little or no out of pocket expense after deductibles.
- 2 - Employee determines when and where to spend healthcare dollars.
- 3 - HSA funds used for qualified medical expenses are tax free.
- 4 - HSA funds can be used like 401K's. Interest and investment earnings are tax free and rollover for future medical needs or retirement.
- 5 - HSA funds rollover at the end of the year. There are no use or lose rules.
- 6 - HSA funds can also be used for qualified expenses associated with:
 - deductibles
 - dental care
 - vision care
 - COBRA
- 7 - HSA funds are owned by the employee and are portable.

LIA Health AllianceSM
New York's Health Insurance ExchangeSM

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What is an HSA?

An HSA is a 401(k) type tax favored Health Savings Account that is linked to a High Deductible Health Plan (HDHP). HSA dollars can be used to pay for qualified medical and dental expenses, as well as prescription drugs, eye wear and other IRS qualified medical expenses.

What are the advantages of an HSA?

- Lowers health insurance costs for employers and employees.
- The employer and the employee can make contributions.
- Employees become empowered and are more actively involved in healthcare decisions.
- Employees control the money in the HSA account.
- HSA's can be used to offset out-of-pocket deductibles.
- All HSA contributions are tax deductible.
- HSA contributions are invested like a 401(k) or IRA and interest and/or investment earnings are tax free.
- Money taken out of the HSA for qualified medical expenses are tax free.
- The HSA is portable. It goes along with the employee.
- HSA funds can be disbursed with checks or debit cards.
- HSA funds roll over at the end of the year. There are no "use it or lose it" rules for HSA's.

How does the HSA work?

- Employees receive a health insurance ID card.
- Employee is given a debit card or checks to pay for qualified medical expenses not covered until the deductible is met.
- Employee presents ID card to medical provider.
- There is no copay.
- Medical provider submits claim for reimbursement.
- Insurer processes claim.
- Employee outstanding deductible is determined and claim is paid.
- Employee receives Explanation of Benefits (EOB) detailing the amount (if any) that must be paid by the employee.
- Prescription Drugs are paid by employee at point of sale by debit card or check.
- Employees receive monthly or quarterly statements showing funds availability.
- Website access for information.

Need More Information about HSA's?

The Department of Treasury's website has information about Health Savings Accounts, including answers to frequently asked questions, related IRS forms and publications, technical guidance, and links to other helpful websites. Treasury's HSA website can be found through www.treas.gov (click on "Health Savings Accounts") or directly at the following address: <http://www.treas.gov/offices/public-affairs/hsa/>.



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