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## *Can a HSA health plan increase the benefits to teachers, while reducing the premium cost to the district?*

Over the last twenty years, unions have worked hard for their current salary and benefit package. The mere mention of a reduction or change to their benefits is quickly shot down during contract negotiations. Benefit plans at many school districts are 100% paid for by the district and contain a zero or low deductible, with low co-pays for drugs or office visits. As a result, HSA plans, which have deductibles starting at \$1100 for single coverage and \$2200 for family plans were rarely considered during most contract negotiations from 2003 to 2006.

Fast forward to 2007 and we find numerous school districts, unions, and municipalities that have successfully adopted a HSA plan (with both sides feeling they negotiated a “win”). How is this possible when a HSA plan can have a deductible of \$5000? This white paper will answer this question and document the cost savings one union & municipality experienced after adopting a HSA plan for 2007. The numbers used in this study are not forecasted, but real numbers. Moreover, the employee savings represents the **minimum savings** to each employee. The actual savings to each employee could increase from \$4000 to \$8000 per year depending on medical expenses, income and HSA contributions.

### **Executive Summary**

In 2006, the only health plan offered to county workers was a traditional health plan that contained a deductible of \$250 for single coverage or \$500 for family coverage combined with 80/20 co-insurance. Workers also had a \$100/\$200 deductible for their medications. Employees paid a portion of the premium that amounted to an annual employee cost of \$788 for single coverage or \$1973 for family coverage. This amount did not include deductibles and co-payments. After seeing their health care costs triple in less than 10 years, the county in our study decided to explore a HSA health plan for 2007.

The HSA plan contained a deductible of \$1500 (single) and \$3000 (family). The county fully funds the HSA, which means the employees now have a zero deductible plan. After the deductible is met, the HSA plan pays 100% of medical expenses with NO CO-PAYS for medication or office visits. (the previous plan had a 80/20 coinsurance) Although the union was against the plan at the beginning, once they saw the benefits and cost savings to their members, five different unions voted for (and approved) the HSA plan. The specific features of the HSA plan are described below,



### Results after adopting the HSA plan

1. In 2007, 400 employees will save almost **\$700,000**. Savings to the county will be over **\$1,000,000**. All numbers published in this study are the actual numbers from the county and are not estimates.
2. The HSA plan **eliminated** annual out of pocket premium costs for employees. The premium savings to the employees was **\$788** for single coverage and **\$1973** for a family plan. Employees no longer pay any premium for the HSA health plan.
3. Switch from \$250/\$500 (single / family) deductible plan to \$1500/\$3000-(see #4)
4. Municipality fully funds the HSA of each employee \$1500/\$3000 (single / family) for deductible expenses. **Employees now have a zero deductible plan with no out-of-pocket costs!**
5. Unspent HSA funds are never lost at the end of the year – any balance is rolled over to the following year and are owned by the employee. The balance can be invested and used for retirement.
6. Eliminates annual co pays re: Drug card \$100/\$200 – All medications are paid 100% after the deductible is met with no co-pays
7. Eliminates out of pocket costs of annual deductibles \$250/\$500
8. Checkups, Prevention and Wellness Expenses are at no cost and not charged to deductible! This Encourages preventive care and overall health of employees!
9. Cash Bonuses for healthy activity – i.e. Fitness, weight loss, healthy choices
10. Increase of lifetime maximum from \$2 million to \$5 million
11. Continued access to the same network of Doctors and Hospitals

**Minimum Annual Savings to Employees**  
**\$1633 (Single) - \$4137 (Family)**

**Annual Savings to the County**  
**\$830 (Single) / \$2601 (Family)-(per employee)**



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Traditional \$250 / \$500 80/20 coinsurance					
Monthly Premium      Employee Cost      Employer Cost					
Single	\$	656.05	\$	65.67	\$ 590.38
Family	\$	1,641.47	\$	164.42	\$ 1,477.05

HSA \$1500 / \$3000 100% coinsurance					
Monthly Premium      Employee Cost      Employer Cost					
Single	\$	355.00	\$	-	\$ 355.00
Family	\$	888.00	\$	-	\$ 888.00

**Annual Savings to the Employee**

	Premium	Deductible	Drug Card Co-Pay	Dental Incentive	Total Savings
Single	\$788	\$250	\$100	\$495	\$1633
Family	\$1973	\$500	\$200	\$1464	\$4137

**Annual Savings to the County (per plan)**

	Savings	Minus the Cost of	Minus Cost of	Net Savings
	Premium	HSA Contribution	Dental Incentive**	
Single	\$2825	\$1500	495	\$830
Family	\$7065	\$3000	1464	\$2601

\*\*As an incentive to the employees, anyone enrolling in the HSA plan would also receive their dental plan at no cost. This saved employees \$495 (single) or \$1,464 (family)



## Features of the HSA Plan Include

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- A comprehensive high-deductible health plan **paired with either a HSA or HRA**
- The health plan emphasizes **and fully pays for preventative care**, provides free, confidential, and voluntary participation with a health coach to help people manage chronic health conditions – and even provides financial incentives to those people who elect to participate!
- **Full-time employees no longer have a premium contribution**
- **Employees no longer have to pay for deductible costs**, and if they use in network providers, after they meet deductible all care is covered at 100%.

## Health Insurance Premium History

*Rates for Union Plans Shown*

Year	Single Premium	Family Premium	Percentage Increase
1996	\$203.15	\$507.88	
1997	\$200.94	\$502.36	-1.0%
1998	\$225.05	\$562.64	12%
1999	\$244.74	\$611.87	8.7%
2000	\$264.94	\$662.36	8.25%
2001	\$323.64	\$809.12	22.16%
2002*	\$387.00	\$967.54	19.58%
2003	\$479.22	\$1199.04	23.93%
2004**	\$507.34	\$1269.68	5.9%
2005	\$522.54	\$1307.38	3.0%
2006	\$610.74	\$1528.08	16.88%
2007	\$656.05	\$1641.47	7.42%

### Recent benefit design changes:

**\*2002** - Creation of prescription drug card with \$6 generic/\$13 brand name co-pay (up to maximum out of pocket cost of \$100 single/\$200 family)

**\*\*2004** – Require mandatory usage of generic medication unless brand name is medically necessary; increase prescription drug card co-pay to \$10 generic/\$20 brand (same out of pocket maximums)



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A HSA health plan may not work for every group, but it is an option you should thoroughly consider before you negotiate your new contract. For additional information about this study or HSA plans for your district or municipality, contact: Jim Snyder at Great Lakes HSA at 216-373-6748 or via email at [jsnyder@greatlakeshsa.com](mailto:jsnyder@greatlakeshsa.com).

**Great Lakes *HSA*** provides a variety of services to school districts interesting in exploring a HSA style health program. These services include: Consulting Services, HSA Administration or Educational Programs for your health insurance committee. For more information about our services go to [http://www.greatlakeshsa.com/services/school districts.htm](http://www.greatlakeshsa.com/services/school_districts.htm)