

Presented by:  
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and  
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# Health Savings Accounts

IDENTIFYING EFFECTIVE STRATEGIES



# CE Instructions – Requirements

- Today's CE Course has been approved for one (1) Continuing Education Credit (Life & Health) in California(Webinar);
- During the Instructional Period, you may not conduct other business or read materials unrelated to the course.
- All electronic devices must be silenced.
- Each State requires attendance for 100% of the approved class hours. If you arrive after the class has begun, or if you are late returning from breaks, you may be denied credit for the course.
- Upon successful completion of the course, you will be issued a Course Completion Document (Certificate) showing the course approval number, eligible license classes and the number of credits you have received for completing the class.



Jo Ann Vernon, CFC

Jo Ann Vernon is the Regional Advisor, Broker Concierge for PrimePay, a national employee management solutions provider, offering a full range of integrated payroll, benefits services and HR support. Jo Ann enjoys working with brokers to strategize and develop comprehensive solutions for their clients. After 24 years of experience in the employee benefits industry, Jo Ann has seen the industry change and morph in many different directions. What hasn't changed is the need and guidance that our employers need with new regulations and ongoing regulations. A self proclaimed insurance nerd, Jo Ann loves to dive in and dissect insurance documents and work with brokers to make sure that clients are in compliance. A firm believer in giving back to the industry she volunteers and continues to serve in leadership roles with the National Association of Health Underwriters. She is a published author with articles appearing in the California Broker Magazine as well as American Benefit Specialist.

# Today's Agenda

1 Health Savings Account (HSA) Overview

2 HSA Trends

3 When to Introduce an HSA

4 Practical HSA Applications

5 The Retirement Health Care Cost Gap

6 Your Next Steps





# Health Savings Account (HSA) Overview

## HSA Overview

- Originated from the Medicare Prescription Drug Improvement and Modernization Act of 2003 (aka the *Medicare Bill*).
- IRA-like accounts providing for tax-deductible contributions, accumulations, and distributions for qualified medical expenses.
- Purpose: To encourage savings for retiree medical costs encourage growth of consumer driven health plans (CDHP).

# What Makes a Plan Eligible?

With a  
qualified  
high  
deductible  
health plans  
(QHDHP):

- 2018 annual minimum deductible of \$1,350 for single coverage and \$2,700 for family coverage.
- Maximum out-of-pocket expenses (excluding premiums) must not exceed \$6,650 for single coverage and \$13,300 for family coverage.

Key QHDHP  
attributes  
are:

- Deductible must apply to all expenses, except preventative care.
- Network plans: Separate deductibles and higher out-of-pocket limits are permitted for out-of-network expenses.
- May be insured or self-insured plan.

## Who is Eligible?

- An individual who for a given month:
  - Is covered by a QHDHP and is not covered by another health plan that is not a HDHP (with some exceptions).
  - Doesn't have further contributions once they are entitled to Medicare (eligible and enrolled).
  - Is not claimed as a dependent on another person's tax return.

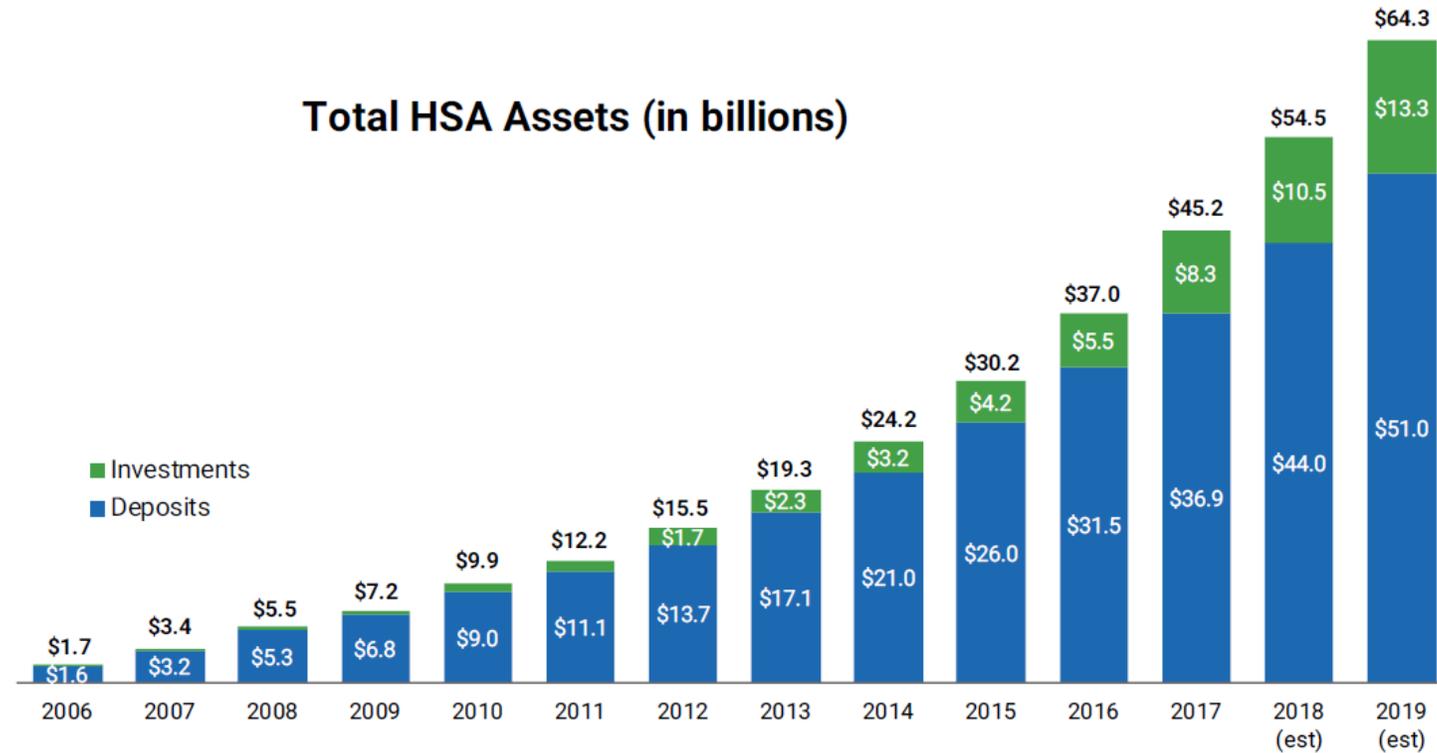
# 1<sup>st</sup> Polling Question





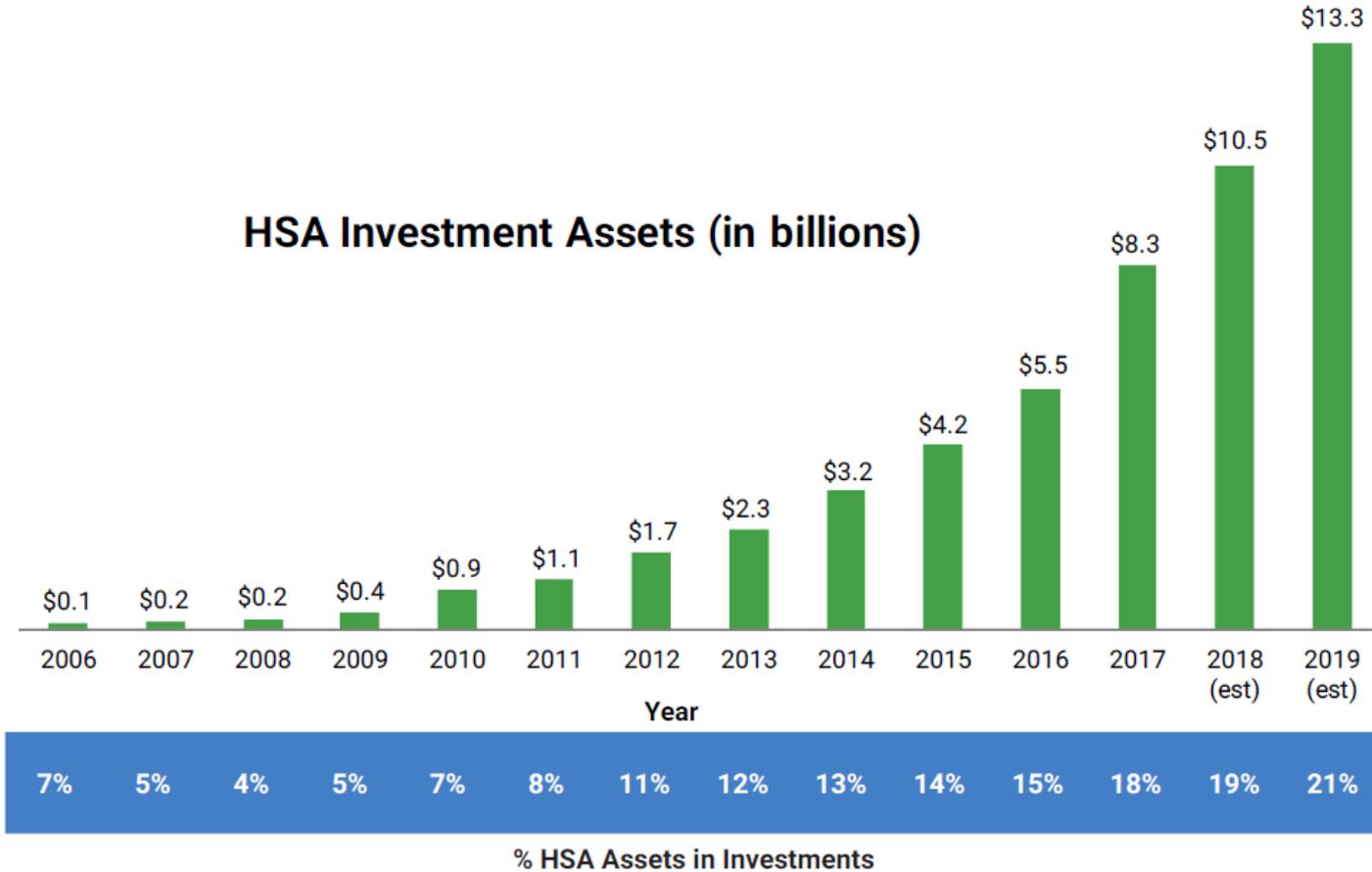
# HSA Trends

# HSA Assets

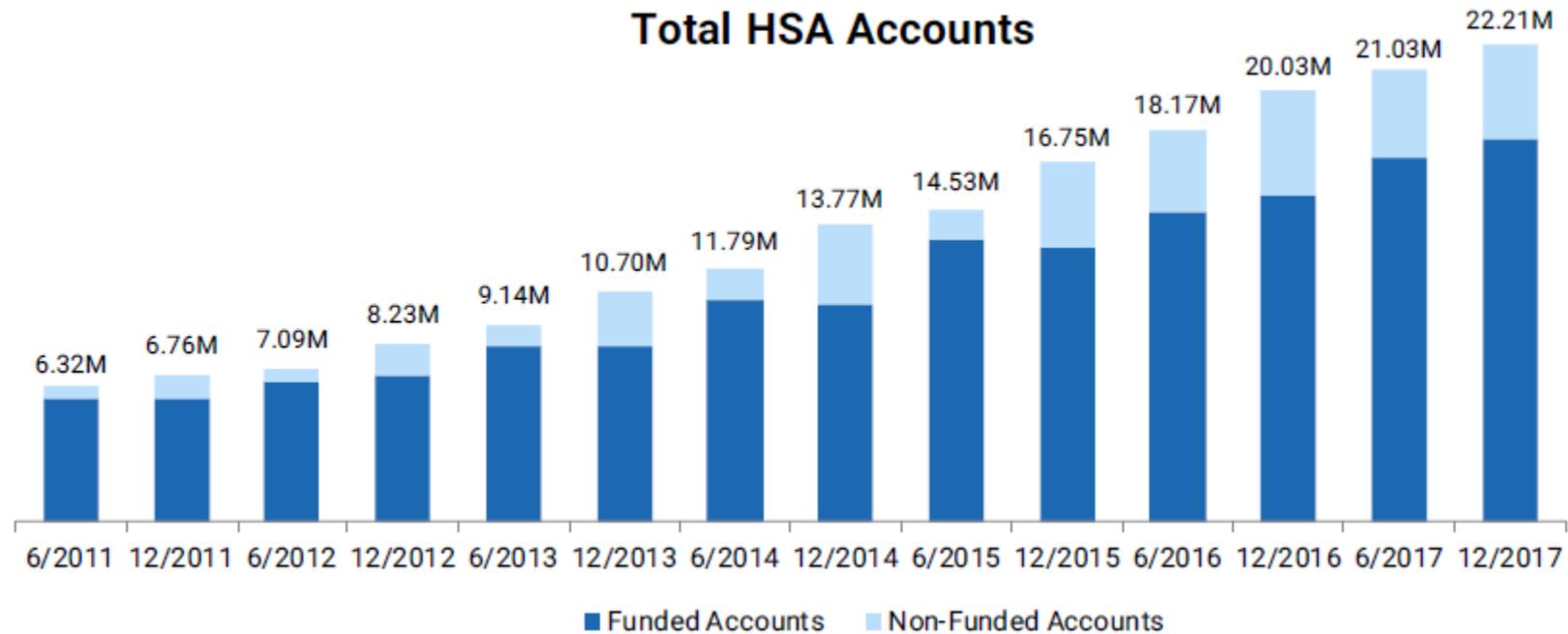


Source: Estimates derived from 2017 Year-End Devenir HSA Market Survey, press releases, previous market research and market growth rates.

# HSA Investments

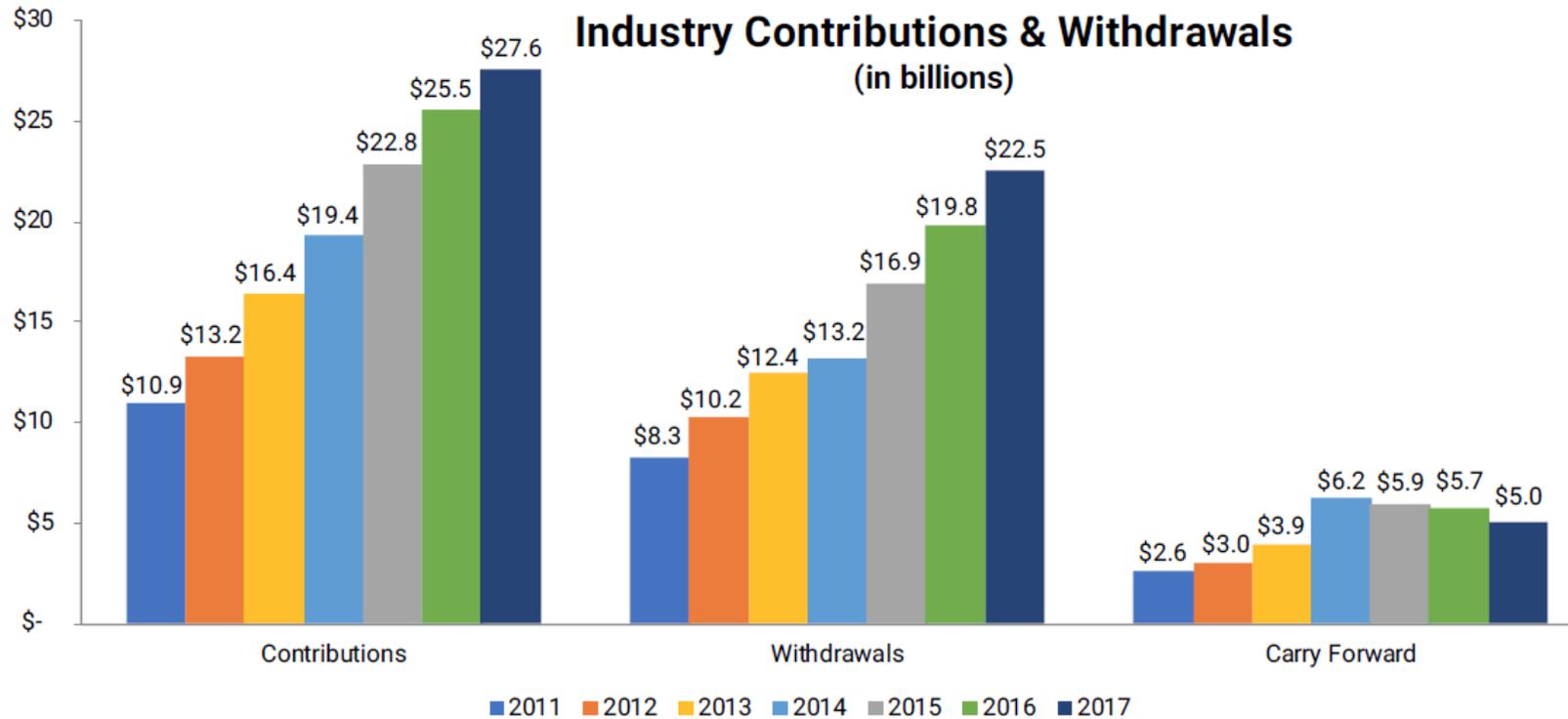


# Funded vs Non Funded



# Contributions vs. Withdrawals

## Industry Contributions and Withdrawals



# A Look at 2017

Below is an industry estimate of total contributions and withdrawals for the period 1/1/17 - 12/31/17.

2017 Activity	Contributions	Withdrawals	Retained Assets	% Retained
Estimated Industry Totals	\$27,551,000,000	\$22,545,000,000	\$5,006,000,000	18%



**2017 Employer Contributions**  
**21%** of all HSA dollars contributed to an account came from an employer.  
The average employer contribution was **\$604** (for those making contributions).



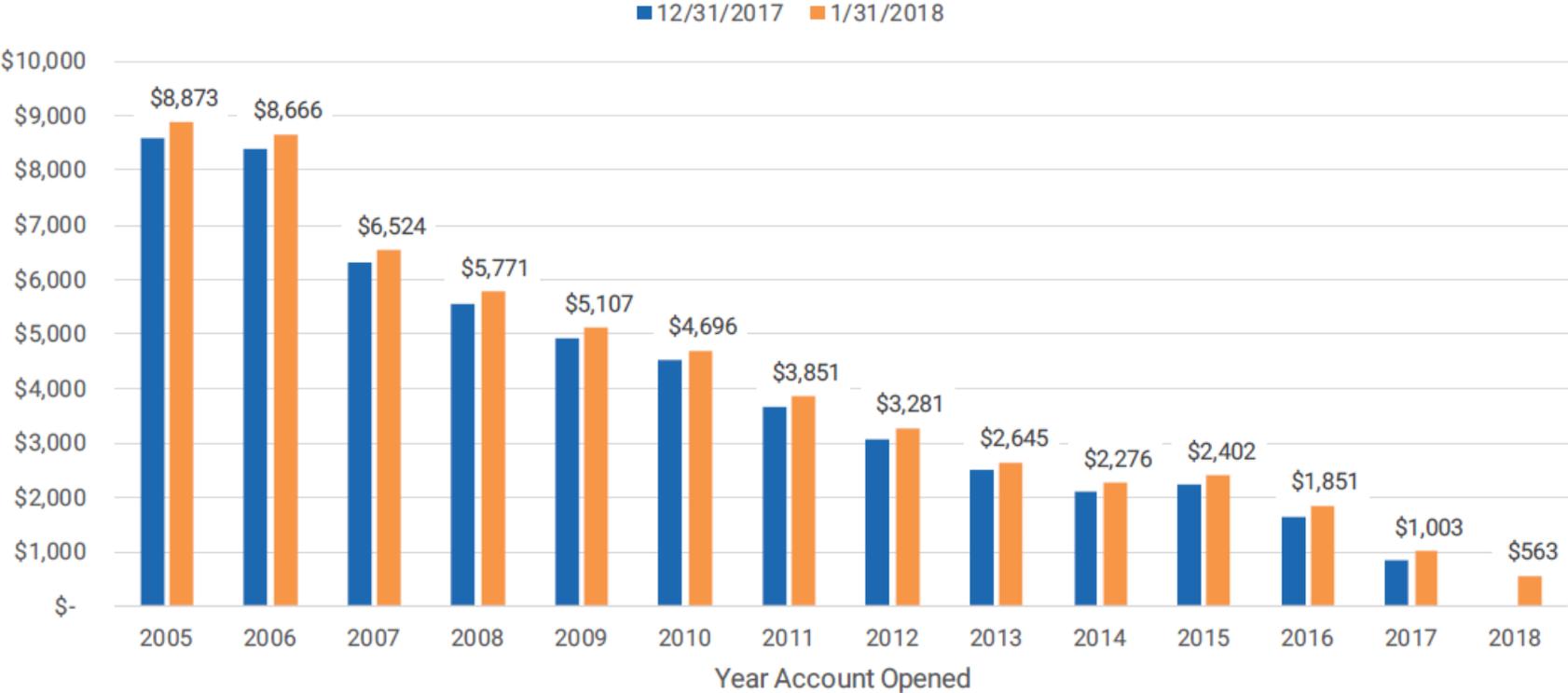
**2017 Employee Contributions**  
**63%** of all HSA dollars contributed to an account came from an employee.  
The average employee contribution was **\$1,921** (for those making contributions).



**2017 Individual Contributions**  
**14%** of all HSA dollars contributed to an account came from an individual account not associated with an employer.  
The average individual contribution was **\$1,475** (for those making contributions).

# Average Balance

### Average Balance by Year the Account Opened



# The Average UMB HSA Accountholder

## The Average UMB HSA Accountholder



# 2<sup>nd</sup> Polling Question





# When to Introduce the Solution

## When to Introduce HSAs

- To identify if it is the right time, ask:
  - Is it just about reducing cost?
  - Is cost a factor but so is retention and the overall health of the employee population?
  - How are employees utilizing the current plan?
  - What current behaviors need to be addressed?
  - What has worked in the past and what hasn't worked?
  - What communication strategies are being deployed?
  - Are the top level decision makers on board and willing to promote?



# Practical Applications

# HSA Strategies

## The Stand Alone HSA

- QHDHP
- HSA
  - Maximum contribution
    - *\$3,450 / \$6,850*

## The Post Deductible HRA/HSA

- QHDHP
- HSA
  - Maximum contribution.
- Post Deductible HRA
  - Begins once the minimum deductible is satisfied.

# HRA/HSA Post Deductible Example

- Current plan is a \$1,500 deductible.
- Implement a \$3,000 QHDHP with an HRA
- Employee is Responsible for the 1<sup>st</sup> \$2,000 (minimum QHDHP is \$1350)
- The ER is contributing \$500 to the EE's HSA Account
- The employee can contribute the remaining \$1,500 to their HSA account.
- Through the HRA, the employer will reimburse the ee any amount that exceeds the \$2,000 deductible set by the HRA plan.

# HSA Strategies

## HSA With Limited Use FSA

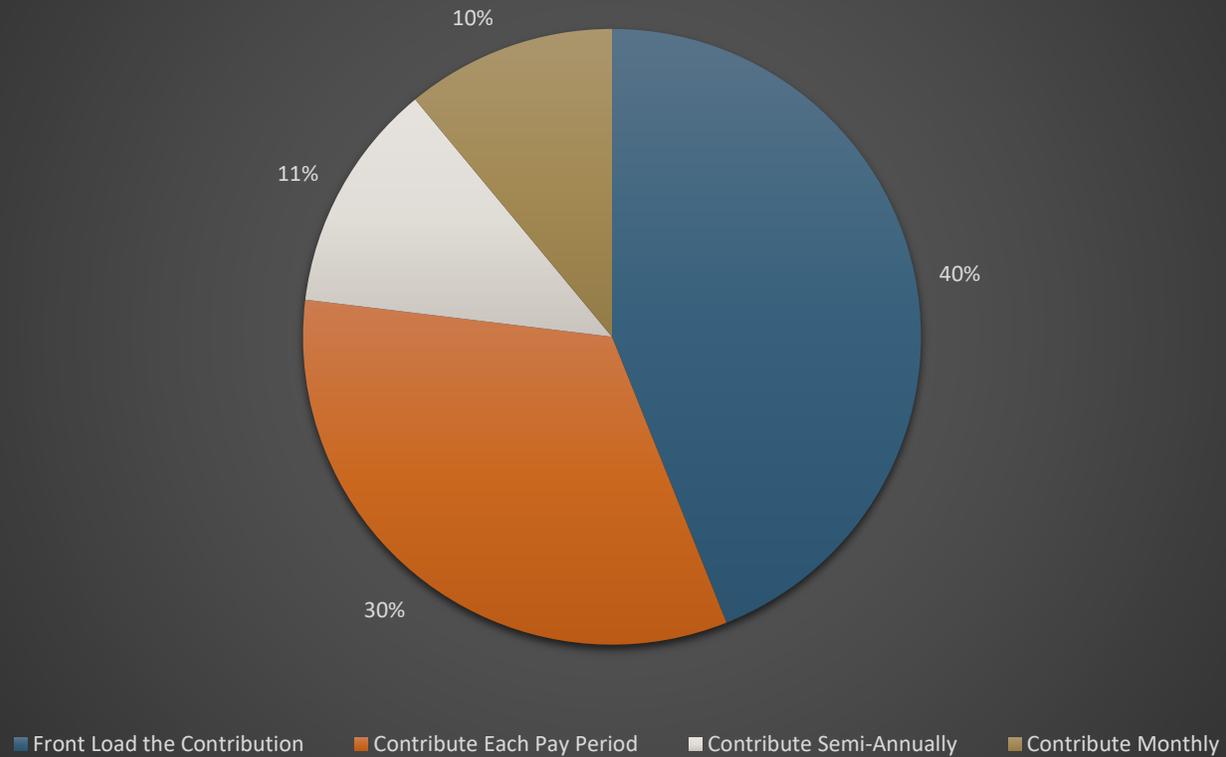
- QHDHP
- HSA
  - Maximum contribution.
- Limited Use FSA
  - Dental/vision only.
  - Immediately available.
- One Debit Card

## Combinations of HRA/HSA/FSA

- QHDHP
- HSA
  - Maximum contribution.
- Limited Use FSA
  - Dental/vision only.
  - Immediately available.
- HRA
  - After the minimum deductible is met.
- One Debit Card

# Employer Funding Strategies

80% of Employers Contribute to an HSA



# 3<sup>rd</sup> Polling Question





# The Retirement Health Care Cost Gap

## HSA's & the Retirement Health Care Cost Gap

- The Employee Benefit Research Institute (EBRI)
- 65-year-old man would need \$127,000 in savings
- 65-year-old woman would need \$143,000,
- 90% chance of having enough savings to cover health care expenses in retirement.
- 81% of workers have not estimated this retirement cost.

# HSAs & the Retirement Health Care Cost Gap

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Catch-up Contributions of \$1,000 are allowed for individuals over age 55

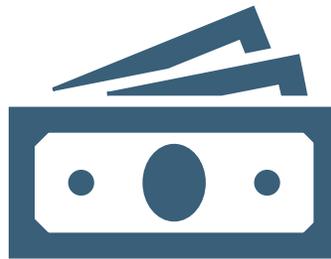
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You can contribute up to the maximum regardless of your income & your entire contribution is tax deductible.

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The IRS doesn't require that you reimburse yourself in the same year you incur an expense.

# Tax Deferral & Investment Opportunities



- Maximizing the benefit:
  - Invest/contribute on a pre-tax basis.
  - Earnings grow tax deferred.
  - Money is spent tax-free on qualified health expenses or upon retirement.
    - *If 59.5, it will follow the same IRA rules for non-qualified health expenses.*
- For 2018, the maximum contribution to a 401(k), 403b or 457 plan is \$18,500.
- For 2018, the maximum contribution to an HSA is \$3,450 (\$6,850 for family)
- A tax savings *whammy* for retirement!



**What Are  
Your Next  
Steps?**

1

Not all HDHP are qualified HSA plans. Certain deductibles and OOP are required with no benefits are paid before deductible is met.

2

Not having the appropriate FSA set up to coincide with the HSA.

3

Watching those maximum annual contributions (employer and employee funding).

**Avoid These Top 3 Mistakes**

# 01

Get creative in your education.

# 02

Reach multiple generations by using different avenues of communication.

# 03

Speak their language.

- What is important to each generation, what is important to that specific population.

# 04

Why is this the solution? Sell it!

## Maximizing the Opportunity to Educate

**Contact Information:**  
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**THANK YOU FOR ATTENDING!**  
**DON'T FORGET TO SIGN YOUR ATTENDANCE SHEETS!!**

**Reminder for Next Week's Session**

**Insights into the PEO & ASO Business Models**

**Presented by: Jo Ann Vernon, CFC, PrimePay**

**Jeff Hoss, LISI**

**May 1<sup>st</sup> at 9:00am**

**THANK YOU FOR ATTENDING!**

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