



*Biz Health Plans
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Your Road Map to Health Insurance Premium Savings

An Employers Guide to Expense Management

This Brief Document has been Prepared to Assist you in
Reducing Both Medical Expenses and Insurance Premiums

By Mike Roberts

A Roadmap for Reducing Health Insurance Premiums & Medical Expenses

Whether you are an Employer providing health care to your employees, or an individual / employee with a family that is trying to manage out of pocket expenses, affordable health insurance is no easy feat and it's not getting any easier. We are in an era of rapidly escalating health insurance premiums and medical expenses. This article will give you some tips on how to manage these dollars more efficiently.

The first thing you need to do is assess how much insurance do you really need and what types of coverage can you live without in order to keep costs contained. The more comprehensive your health insurance is, the greater the monthly premium. Ask yourself, do we really need a \$20 Dr. visit if I rarely go to the doctor, or do I need maternity coverage, or can I live with a higher deductible to keep my costs down? In its inception, insurance was designed to protect against a catastrophe, not pay for regular health maintenance costs. Over the years successful insurance marketing combined with lower medical costs and premiums spoiled us all. We've come to believe that if we don't have a low co-pay or a low deductible for doctor visits, prescription drugs, hospitalization, emergency room visits, etc, that we have a substandard medical plan, that couldn't be further from truth.

1) Increase your out-of-pocket costs

"The more you agree to pay for things out of pocket in the form of deductibles and copayments, the less you'll fork over in premiums, for young, healthy people, it's a good way to save," says Phil Lebherz, founder of the Foundation for Health Coverage Education, a nonprofit organization that assists individuals finding Private and Government health care plans all over the USA. Even better: Many high-deductible plans are paired with Health Savings Accounts, which allow you to stow away pretax contributions that grow tax-free and can be rolled over from year to year. Both employer and employee can add to the account until the deductible is met, any health-care expenses are paid out of the HSA. Keep health-care costs low, and it's possible to come out ahead, says Lebherz, but if you have significant health problems or expenses, the downside of this strategy can quickly outweigh any advantage.

2) Understand How Your Health Plan Works, Don't be Over-Insured

All health plans have a few things in common. They all have an Out Of Pocket Maximum (OOP Max) and a Lifetime Benefit. OOP Maximums vary from \$1,000 to \$10,000 & up. This is one area where you can significantly reduce your premium. Choose a plan that has an Out of Pocket Maximum that you are comfortable with in the event of a large bill. If you are a high wage earner, you should not have a low OOP Max, if you are a moderate wage earner; weigh that closely with your premium outlay. The most important thing about understanding your plan is to be certain it does not contain a lot of benefits that you do not need. Remember what you save in premium stays in your pocket; don't be afraid to roll the dice a little, most people don't get hospitalized very often, thus they will seldom be exposed to these maximum amounts. Choose a Plan that provides you with the types of coverage you will use without breaking the bank.

3) Remove Spouses and Children from Group Policies when Possible

If your family does not need maternity benefits and other loaded services that group policies include, you can save a bundle by buying private health insurance policies for them. Due to the nature of Small Group Coverage in California, dependent costs can be significantly higher on group plans than if you were to put them on an individual or family health plan. If your family members are relatively healthy, look at individual plan options offered by the major carriers in the state. You will be shocked at the premiums savings. Anthem Blue Cross recently rolled out what they call Smart Sense Plans that you can exclude maternity. A healthy, 35-year-old individual in Los Angeles, for example could obtain a 500 deductible health plan for under \$140 a month, add children to that and the premium is still around \$250, there are other plans even for less. We do not recommend removing the employee from the group plans, only consider removing dependents. Your monthly savings can be substantial.

4) Mix and Match Plan

If you are an employer considering installing a group health plan for your employees or modifying an existing one, consider offering multiple plan options. Everyone uses health care differently, in many cases a company officer or business owner should choose something different than the employees. This is a very good way to keep your costs contained by not over-insuring your group.

5) Individual vs. Group Coverage

Group Plans: In California, there exists a piece of legislation that governs small groups medical insurers (2-49) called AB 1672. This law sets the parameters for California small businesses to obtain guaranteed issue health insurance for their employees. Owners, officers, partners & employees of AB1672 qualified groups can receive a policy regardless of medical histories. Group Policies contain many coverage mandates such as mental health parity legislation, maternity benefits and guidelines excluding or minimizing pre-existing condition clauses. Although these are good things to have in a policy for many people, if you do not need or use these types of benefits you are over-insured.

Individual Plans: The individual plan market in California is different from the group market in that all policies are medically underwritten. This means that you must qualify medically for these types of plans. Contrary to popular belief, individual plans are much less costly than Group Coverage. You need to be reasonably healthy to obtain coverage. You can also opt out of many benefits that you cannot opt out of in group plans, maternity, brand drugs, extensive mental health coverage etc. Due to the fact that individual plans are consumer driven, you are able to still obtain a low premium for quality coverage.

6) Take Advantage of Provider Networks Whenever Possible

Health care is increasingly moving toward managed networks of physicians and facilities. This is a major advantage that you need to capitalize on in order to keep your out of pocket expenses under control. Preferred Provider Networks (PPO) and Health Maintenance Organizations (HMO) are the most popular choices today. Both of these Networks have pre-negotiated contracts with the carriers with regards to the fees they can charge you for various medical and dental services. The larger medical and dental insurers have extremely large networks. Take advantage of these pre-negotiated fee schedules whenever possible, otherwise you have no control on what you are charged by the medical and dental community.

7) Take Advantage of ALL the Benefits & Discounts Provided by the Carriers & Partners

In many cases there are significant benefits that the insurance companies have structured on your behalf that go beyond traditional health care services. The insurance industry has taken a right turn in the area of motivating and rewarding their clients to get and stay healthy. They have partnered with many companies that offer up to 50% savings in the areas of fitness, nutrition, LASIK Services, online pharmacy savings, Alternative Health and Wellness Practitioners, Nutritional Supplements and more. Take advantage of these benefits as much as possible.

8) Work with a Medical Insurance Broker

Due to the large expense involved with medical insurance it is wise to work with an independent insurance broker. They are licensed by the State to represent and work for the consumer in the insurance purchasing and service process. Unlike an insurance agent who represents an insurance company. This independence allows the broker the freedom and opportunity to deal with multiple insurance companies rather than just one and shop on your behalf. You will not realize any savings by going directly to the various insurance carriers for sales and service. Usually it is detrimental as you only here things from one perspective instead of industry wide. With A Broker, Your Needs Take Priority. The premiums are the same regardless of who assists you with your policy. Independent agents and brokers are paid a commission that is included in all health insurance premiums.

8) Capitalize on the Current Tax Benefits by Considering an H S A

Health Savings Accounts (HSAs) were created by the Medicare bill signed by President Bush on December 8, 2003 and are designed to help individuals save for qualified medical and health expenses on a tax-free basis. Amounts contributed to an HSA belong to the account holder and are completely portable. Funds in the account can grow tax-free through investment earnings, just like an IRA. Funds distributed from the HSA are not taxed if they are used to pay qualified medical expenses. Unlike amounts in Flexible Spending Arrangements that are forfeited if not used by the end of the year, unused funds remain available for use in later years, what you don't use simply rolls over the following year and can be funded again if desired. The next couple of pages include a table of "Qualified and Non-Qualified" expenses from your HSA Accounts along with some more information on these.

Introduction to Health Savings Accounts

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HSA-eligible health plans reduce healthcare costs for U.S. businesses dramatically, with some studies citing as much as 20-30% lower cost than average premiums (AHIP HSAs and Account-Based Health Plans, June 2006). Part of these savings should be used to provide the employee with a recurring contribution to their HAS, representing a portion of their deductible. This practice allows the employer to recognize significant cost savings while reducing the out-of-pocket expenses for the employee.

Universal Health Savings Account Principles for Consumers

1. You must have an HSA qualified high deductible health plan to open or contribute to a Health Savings Account in your own name.
2. Switching to a high deductible health plan from a traditional low deductible health plan will cut the cost of your health plan substantially. You and/or your employer deposit the savings gained into your HSA. The whole point of a Health Savings Account is to allow you to use that money on a tax-free basis to pay for your health expenses below your new, higher deductible.
3. The money in your Health Savings Account is your own. This means your employer cannot tell you what to do with your own money or restrict what you can spend it on. Since it is your money, it goes with you when you change jobs.
4. You are in charge of your Health Savings Account funds, making you and your doctor the decision makers, not some third-party. Spending your own money also means that you will/should ask about the cost of health care expenditures, which will bring marketplace competition to the world of health care.
5. There is no time limit for when you can reimburse yourself for your health care expenses; you just need to keep legible receipts and records in case you do reimburse yourself or are audited.
6. You decide whether and how much to spend from the account for your medical expenses, whether to spend out-of-pocket or save the HSA money for the future.
7. Anyone can contribute to another person's Health Savings Account. The tax benefit from such a contribution is gained by the person receiving the contribution, not the person giving the contribution.
8. You decide which company will hold your HSA money (your trustee or custodian), and what type of investments you make with your account. Any investment allowed for IRAs is allowed for HSAs (please see Table A).
9. [IRS Publication 502](#) provides a list of allowable expenditures from your Health Savings Account.

Allowable Expenditures from Your Health Savings Account: Table D

Acupuncture	Artificial Limb
Ambulance	Alcoholism Treatment
Artificial Teeth	Bandages
Birth Control Pills (by prescription)	Breast Reconstruction Surgery (mastectomy)
Car Special Hand Controls (for disability)	Certain Capital Expenses (for the disabled)
Chiropractors	Christian Science Practitioners
COBRA premiums	Contact Lenses
Cosmetic Surgery (if due to trauma or disease)	Crutches
Dental Treatment	Dermatologist
Diagnostic Devices	Disabled Dependent Care Expenses
Drug Addiction Treatment (inpatient)	Drugs (prescription)
Eyeglasses	Fertility Enhancement
Guide Dog Health Institute (if prescribed by physician)	Gynecologist H.M.O. (certain expenses)
Hearing Aids	Home Care
Hospital Services	Laboratory Fees
Lasik Surgery	Lead-Based Paint Removal
Learning Disability Fees (prescription)	Legal Fees (if for mental illness)
Life-Care Fees	Lodging (for out-patient treatment)
Long-Term Care (medical expenses)	Long-Term Care Insurance (up to allowable limits)
Meals (associated with receiving treatments)	Medical Conferences (for ill spouse/dependent)
Medicare Premiums	Medicare Deductibles
Nursing Care	Mentally Retarded (specialized homes)
Obstetrician Operations	Nursing Homes
Surgical Optician	Operating Room Costs
Organ Transplant (including donor's expenses)	Ophthalmologist
Orthopedic Shoes	Optometrist
Osteopath	Orthodonture
Over-the-Counter Medicines	Orthopedist
Pediatrician	Out-of-pocket expenses while enrolled in Medicare
Podiatrist	Oxygen and Equipment
Prenatal Care	Personal Care Services (for chronically ill)
Prosthesis	Post-Nasal Treatments
Psychiatric Care	Prescription Medicines
Psychoanalysis	PSA Test
Psychologist	Psychiatrist
Radium Treatment	Psychoanalyst
Special Education for Children (ill or disabled)	Qualified Long-Term Care Services
Spinal Tests	Smoking Cessation Programs
Sterilization	Specialists
Telephones and Television for the Hearing	Splints
Therapy Treatment	Surgeons
Vitamins (if prescribed)	Transportation Expenses for Health Care
Wheelchair X-Rays	Vaccines
Weight Loss Programs	Wig (hair loss from disease)

Non-Allowable Expenditures from Your Health Savings Account: Table E

Advance Payment for Future Medical Expenses
Automobile Insurance Premium
Bottled Water
Controlled Substances
Dancing Lessons
Domestic Help
Funeral Expenses
Health Programs at Resorts,
Health Clubs, & Gyms
Illegal Operations and Treatments
Maternity Clothes
Nutritional Supplements
Premiums for Accident Insurance
Scientology Counseling
Special Feeds/Beverages
Teeth Whitening
Travel for General Health Improvement

Athletic Club Membership
Babysitting (for healthy children)
Boarding School Fees
Commuting Expenses for the Disabled
Cosmetics and Hygiene Products
Diaper Service
Electrolysis or Hair Removal
Hair Transplant
Household Help
Illegally Procured Drugs
MediGap premiums
Premiums for Life or Disability Insurance Premiums for your
HSA Qualified Health Plan Social Activities
Swimming Lessons
Travel for General Health Improvement
Tuition in a Particular School for Problem Children

Note on compliance with your health plan:

This section describes basic information on services and benefits of the many HSA Accounts available. It is not intended to provide legal, health, or tax advice. Consult your own legal, medical, and tax counsel for guidance on issues that may be affected by your specific circumstances. Please note that if you intend to use the HSA Account to pay your deductible or other services covered under your health care plan, we strongly recommend that you always comply with the conditions of your plan.