

# U.S. Bank Health Savings Solution<sup>SM</sup>

Why Choose the HSA PPO Plan  
with a Health Savings Account (HSA)

*Turning health care users into smart consumers<sup>SM</sup>*

# Why Choose the HSA – PPO Plan?

Three Critical Questions:

1. Why choose the HSA PPO Plan?
2. Why utilize a HSA with it?
3. Why choose the U.S.Bank HSA

# HSA PPO Plan (HDHP) & HSAs

- Question 1: Why choose the HSA PPO health plan?
- What is the HSA PPO plan? (HDHP)
  - Similar to the usual PPO plan EXCEPT:
  - 100% coverage on preventive care
    - Annual doctor visits
    - Well baby care
  - No co-pays on drugs, hospital or doctor visits
  - Higher deductible:
    - \$1,500 Individual / \$3,000 Employee + 1 or more
  - 90% coverage above the deductible
  - 100% coverage after OOP max

# HSA PPO Plan (HDHP) & HSAs

- Why would anybody want it?
  - Lower employee premiums
  - Avoids taxes by contributions to HSA for discounted medical services
- What is an HSA?
  - A “Health Savings Account”
  - Like a 403(b) but for medical expenses:
    - Pay for medical expenses at up to 38% discount
    - Money is never taxed if used for medical, or
    - Anything – after age 65 (classified as “income” at distribution)
    - You get to KEEP the money if you don’t spend it.  
(Unlike FSA money which you lose at end of the year if not spent)

# HSA PPO Plan & HSAs

- Why should you care?
  - Money goes to you rather than insurance premiums.
  - You decide when to spend it, if at all.
  
- Key Question:
  - Can I cover the deductible difference with (1) premium cost savings, and (2) tax savings?
  - To determine:
    - Calculate your premium difference
    - Calculate your tax savings on your HSA contributions

# HSA PPO Plan & HSAs

- Example #1: Family Coverage Comparison to traditional PPO Plan
  - Current PPO Plan –
    - \$900 deductible
    - Out-of-pocket (OOP) max is \$2,000
    - co-pays and
    - 90% coverage to OOP max.
  - Compare to HSA PPO Plan –
    - \$3,000 deductible
    - Out-of-pocket (OOP) max is \$6,000
    - No copays
    - 90% coverage to OOP max.
  - Premium Savings:
    - PPO's \$327.82/mo – HSA PPO's \$66.16/mo = \$261.66
    - Multiply x 12 for annual savings = \$3,140
    - New tax exposure – (\$1,213)

# HSA PPO Plan & HSAs

- Example #2: Comparison to Family PPO Coverage
  - Tax Savings from HSA Contributions:
    - No federal (25% rate), state (6% rate), local, or FICA (7.65%) = 38.65%
    - Assume you only contribute your deductible to an HSA = \$3,000
      - $\$3,000 \times 38.65\% = \$1,159$  tax savings
      - **Combined total savings - \$3,140 - \$1,213 + \$1,159 = \$ 3,086**
    - If you maximize your HSA contribution (\$2,300 saved) = \$4,227
- Conclusion: Family is covered for entire HSA PPO deductible and more. If they do not spend it, they save it.

# HSA PPO Plan & HSAs

- Example #1 (cont.):
- Question: Is there any way you can do worse?
  - Yes - If you do not take at least your premium savings to fund your HSA.
  - Yes – If only fund your HSA to your deductible amount (\$3,000), you have 90% coverage up to your OOP max of \$3,000 more dollars. However, it would take \$30,000 of total additional medical expenses to reach this. Under the traditional PPO plan you would likely be spending much of this amount for on going co-pays under this traditional PPO coverage.

# HSA PPO Plan & HSAs

- Example # 2: Comparison to any Indemnity coverage
  - Current Indemnity Plan –
    - \$300 / \$900 deductible
    - Out-of-pocket (OOP) max is \$2,000 / \$4,000
    - co-pays and
    - 80% coverage to OOP max (90% for inpatient).
  - Compare to HSA PPO Plan –
    - \$1,500 / \$3,000 deductible
    - Out-of-pocket (OOP) max is \$3,000 / \$6,000
    - No co-pays
    - 90% coverage to OOP max.
  - Premium Savings (annual):
    - For Employee only - \$3,066
    - For Ee + child - \$5,533
    - For Ee + spouse - \$6,459
    - For Family - \$8,927

# HSA PPO Plan & HSAs

- Question # 2: Why use a HSA?
- To cover medical expenses you have to pay.
- Avoids taxes.
- Buy medical services at a substantial discount.
- Increase your savings for retirement.

# HSA PPO Plan & HSAs

- Question # 3: Why should I use U.S.Bank for my HSA?
- BOR chosen: Chosen as best in market because:
  - Financial – lowest cost with best investment options
  - Resources and ongoing support to employees
  - Healthcare tools
  - U.S.Bank – reputation
- Financial:
  - Avoid paying all taxes (including FICA)
  - You use your money.
- Convenience: pre-tax payroll deduction

# High Deductible Health Plan & HSAs

- Maximum HSA Contributions for 2009
  - Can fund to max. if covered by any HSA PPO
  - Increases tax savings and funds for current and future medical expenses
- What is 2009 maximum HSA contribution?
  - Individual coverage - \$ 3,000
  - Family coverage (> than 1) - \$ 5,950
  - Catch up (over age 55) - \$1,000 extra

# U.S. Bank HSA

[www.healthsavings.usbank.com](http://www.healthsavings.usbank.com)

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