

Turnkey HSA Program (for individuals/families)

Your Instruction Manual

This website provides an instruction manual for using your high deductible health plan (or HDHP) and health savings account (or HSA).

You will learn:

- How to find the best HDHP for your needs
- How to control premium increases in the future
- How and where to set up a health savings account
- Strategies for using your HSA to plan and save for a lifetime of benefits.

Personal Service

When you have questions or problems, we are always available to help you find the answer and to solve your problems.

Why get an HSA?

HSAs provide the way to control health care costs

Health savings accounts (or HSAs) may be the only way to get control of skyrocketing health insurance premiums and healthcare inflation that grows two to three times normal inflation.

Albert Einstein said, “We cannot solve our problems with the same thinking we used when we created them.” In other words, we need to replace old thinking with new thinking.

Old thinking: third-party payment for small medical bills

The old thinking is expecting *third-party insurance companies* to pay your routine, expected health care expenses in addition to large medical claims.

New thinking: Consumer-driven health plans.

Health economists agree that health insurance is an affordable way to protect against large, unexpected medical bills. They also agree that paying premiums in exchange for low copays is not an effective way to pay for routine and expected medical bills. It is more cost-effective to self-insure doctor visits, labs, and prescriptions. A health savings account allows you to self-insure with tax free dollars.

The HSA STRATEGY

Getting a health savings account is part of a greater strategy for financing health care for the rest of your life. That's why I call it "the HSA Strategy."

Step 1: Get an HDHP

Replace your current low deductible PPO or HMO plan with an affordable high deductible health plan (HDHP) to protect against large unexpected medical bills. Protection from large medical bills is the single most important reason for having insurance. When you make this change you will reap a substantial savings on your premiums.

- Benefit: Save 20-60% on premiums
- Individuals: Save \$1,000 to \$2,000 per year
- Families: Save \$3,000 to \$4,000 per year

Key understanding: Only buy insurance for the big stuff; self insure the small bills.

Step 2: Open an HSA

Put those premiums savings into a tax-advantaged health savings account (HSA) to pay for routine expected medical bills and to save for future deductibles.

Key statistic: 73% of Americans spend less than \$500 per year on health care and will have unused dollars roll over to next year. At end of year, unused dollars roll over for future use.

Step 3: Save for lifetime of benefits

Set a goal to "save and invest" those unused dollars over the next 10, 20, or 30 years. Use those accumulated tax-free dollars to pay "future" deductibles, long term care insurance premiums, and health care expenses not covered by Medicare.

At retirement you could have \$100,000 or more for future health care expenses
If you save and invest \$100 per month at 6%

5 years	10 years	20 years	30 years
\$7,011	\$16,469	\$46,435	\$100,953

If you save and invest \$200/month or \$300/month, you would have \$200,000 or \$300,000.

Key point: The #1 reason to get an HSA: you get a lifetime of benefits instead of just benefits during the current policy year. With a traditional health plan, you pay monthly premiums, but at age 65, you have nothing to show for it.

You do need to save for the future

Most people believe that Medicare will pay most of their health care costs during retirement. According to Fidelity Investments, a couple will spend \$295,000 in expenses between age 65 and final years. By self insuring the routine and expected health care cost, and investing those saved premiums over long periods of time, you can go a long way towards financing healthcare expenses not covered by Medicare.

A bottle of champagne for your agent

I often tell people that when they reach age 65, they will have a tremendous urge to buy me a bottle of very expensive champagne. Why? If you follow my advice, you will have a nice sized balance in your health savings accounts to help pay the costs not covered by Medicare.

Why is HSA Strategy better?

The combination of a high deductible health plan and a health savings account is a better option than traditional plans because:

- The medical insurance provides great protection. Once your insured expenses hit your deductible you are fully covered. This includes prescriptions, doctor visits, lab, hospital and surgery.
- You can put your money in a special account to spend on your health care and your family's health care tax-free! With traditional plans people pay these expenses after tax which makes them more expensive.
- If you have reasonably good health over the years, you will have money in your account to pay future unexpected medical bills.
- People who are sick will have money available to them to help with medical bills, and insurance in place to prevent those bills from becoming catastrophic.
- Having an HSA allows you to plan and save for the future, including the many expenses during retirement that are not covered by Medicare.

Step 1: An HSA-compatible HDHP

In order to open a health savings account, you first need to be insured by an “HSA-compatible High Deductible Health Plan” or HDHP. The Federal Government has several important guidelines for these plans:

- Minimum deductibles: \$1100 for individuals; \$2200 for couples/families
- *No copays* for office visits or prescription drugs until deductibles have been met.
 - Exception: health plan can have copays for prevention, since an ounce of prevention is worth a pound of cure.

Note: There is one aggregate deductible for the entire family, which is twice the individual deductible. Because of this higher deductible, family premiums are very affordable.

Choose the highest deductible you feel comfortable with

When you select a plan with a higher deductible, the premium will be lower.

On the other hand, if you have a major medical bill, the higher the deductible means you will pay more. You want to find the balance.

Considering premium vs. risk, we urge people to choose the highest deductible they feel comfortable with. With today’s newer HSA-compatible plans, once you reach the deductible, the insurance company pays the rest. For example, if you are hospitalized and the bill is \$100,000 hospitalization, you might pay a \$3000 deductible, and the insurance will pay the \$97,000 remaining costs. That’s good protection.

Benefits that affect premiums

There are two benefits that affect premiums; you get to choose which benefits are important to you.

- **Maternity coverage**

If a plan has maternity coverage, the premiums will be higher, since maternity expenses can be substantial. If maternity is not a consideration, you will get a lower premium by choosing a plan without maternity coverage.

- **Annual Exams:**

- Some plans pay 100% of annual exam cost (higher premiums)
- Some plans offer copays for annual exam (\$35), and you pay coinsurance (e.g. 30%) of lab costs (lower premiums)
- You pay costs of annual exam (lowest premium).

Bob's Recommended plans:

Here are my favorite HSA-compatible health plans

Plans without maternity: lower cost

<u>Company</u>	<u>Plan name</u>	<u>Individual</u>	<u>Family</u>	<u>Maternity</u>	<u>Preventive</u>
Anthem Blue Cross	PPO \$3500	\$3500	\$7000	no	no
Blue Shield	PSP \$4000	\$4000	\$8000	no	yes (copays)

Plans with maternity: higher cost

<u>Company</u>	<u>Plan name</u>	<u>Individual</u>	<u>Family</u>	<u>Maternity</u>	<u>Preventive</u>
Anthem Blue Cross	Lumenos \$1500	\$1500	\$3000	yes	yes 100%
	Lumenos \$3000	\$3000	\$6000	yes	yes 100%
Blue Shield	PSP \$2400	\$2400	\$4800	yes	yes (copays)

When doing an online search you will find literally hundreds of health plans from a variety of health insurance companies. HSA-compatible plans will be clearly labeled "HSA-compatible" or "HSA-qualified plans."

Personal service: We can help you find the best plan for your needs, and over the years we will guide you on the best plans for the future.

How to enroll in an HDHP

Traditional: set up an appointment

Set up an appointment to meet with us to discuss your insurance needs. We will explain the insurance plan options, and help you choose the plan that is best for you. You simply complete an application, and we take care of the rest.

Email

Let's talk by phone and we can find the right plan for you. Then we can email you a summary of the plan and an application.

Apply Online

After talking by phone, you can do an online application at this website. You can do the entire application at home on your computer, and the application goes directly to the insurance company; we are notified that you have submitted an application and will follow-up to make sure everything is correct.

After you enroll

Web tools

When you get your policy, we recommend you log on to the insurance company website and set up an ID and password so you can access all your insurance data. Now you can access all kinds of information on the website. For example:

- You can look at your medical expenses to see how much you were billed, how much was allowed and how much goes towards your deductible.
- You can identify physicians in the network.
- There are special programs for improving your health.
- You can contact the company directly by email with questions and they will respond by email.
- You can make plan changes.

Icon: Anthem Blue Cross: www.Anthem.com/ca

Icon: Blue Shield of California: www.Blueshieldca.com

Problems with your insurance?

An 800 phone number that really works!

On your insurance card is an 800 phone number. In almost all cases, if you have a problem with billing or claims, the insurance company representative can handle that right over the phone. Insurance companies have *improved greatly* over the past year.

Icon: Anthem Blue Cross: (800) 333-0912

Icon: Blue Shield of California: (800) 431-2809

Icon: Health Net: (800) 909-3447

Personal Service: We back you up

Heart icon white gloves icon

Sometimes, there are problems you just can't seem to get resolved by a simple phone call. Then simply call us; we are always there to handle the problem and get it resolved quickly.

Controlling future premiums

Once you have an HSA-compatible high deductible health plan (HDHP), you can control premiums in the future simply by changing the deductible. If you raise the deductible, your premium will decrease.

Key concept: as money builds up in your health savings account (HSA), you will begin to feel more comfortable with a higher deductible.

To increase the deductible normally does not require underwriting; you simply notify the insurance company you want to raise the deductible, and your premiums will be lowered. Give us a call, and we can handle that change for you.

HSA = Medical IRA

Think Medical IRA

Think of an HSA as a “medical IRA” (IRA = Individual Retirement Account)

Triple tax benefits

- Tax deductible contributions to health savings account
- Tax-free growth while in HSA
- Tax-free withdrawals for qualified medical expenses.

Pay expenses over a lifetime

You can use your health savings account to pay qualified medical expenses including doctor visits, labs and x-rays, hospital expenses, surgeons, dental, vision, prescriptions, over-the-counter medications and alternative care.

During retirement you can pay Part B and D premiums; deductibles and copays; as well as expenses not covered by Medicare such as dental, vision and annual exams...

My opinion:

I believe that every American under age 65 should have a health savings account. It provides a way to plan and save for the future. It is the smartest way to finance health care expenses now, and in the future. As I often say in the workshops I conduct for the CPA society, “HSAs are the only legal way to launder money; money is totally tax free when used for qualified health care expenses.”

HSA deposit limits (make this one fancy).

There are strict guidelines for deposits to health savings accounts. Each year these numbers adjust for inflation.

Year	Individual Self-only	Family/ Couple	Catch-up deposits (over 55)
2008	\$2900	\$5850	\$900
2009	\$3000	\$5950	\$1000

For self-only coverage (2009)

You can put up to \$3000/year in your health savings account. If you are over 55 years of age, you can put in an additional \$1000 per year.

The logic is that people over age 55 have much less time to make deposits than someone who is 35. The rules specify that once you go on Medicare (age 65), you can no longer make deposits into your health savings account. However, you can keep your HSA as long as you like, and make withdrawals over the rest of your life.

For family coverage (2009)

You can deposit up to \$5950/year into your health savings account. If the “primary account holder” is over 55, that person can deposit an additional \$1000 per year. If the spouse is over 55, that second person must open a separate health savings account. Only the primary account holder—not dependents—can make catch up contributions to that account.

Personal service: We will keep you apprised of the yearly changes to health savings account deposit limits.

Allowable health care expenses

Health savings accounts were designed to help people pay for health care expenses. This leads to the logical question: What are the allowable health care expenses?

The concept

As a general guideline, health savings account dollars should be spent on **prevention**, **diagnosis** and **treatment** of medical problems.

If you see a health care provider such as a physician, dentist, optometrist, alternative care provider, pharmacist, chiropractor or psychologist, those expenses are probably allowable expenses.

Click on this link: <http://www.irs.gov/pub/irs-pdf/p502.pdf> to see the IRS document that explains which expenses are HSA-eligible and which are not. There is a section for includible expenses and non-includible expenses.

Use HSA to improve health

Use HSA dollars to pay for wellness services

You can use your health savings account for diagnosis, treatment and prevention of medical problems. Thus you can use your tax-free HSA dollars to actually improve your health.

Here are the services I feel can make you healthier.

Guideline: If you want to embark on a personal wellness program, ask your physician to recommend **health professionals or programs** that can improve your health. If your physician recommends a program, it will probably be an HSA-allowable expense. When in doubt, always check IRS document 502 to verify <http://www.irs.gov/pub/irs-pdf/p502.pdf>

- **Dietitian**

A dietitian can help you develop programs in a variety of areas.

Weight control: work with a dietitian to develop a dietary plan and get coaching along the way as you lose weight.

Lowering cholesterol: develop a cholesterol-lowering diet. If a dietary program can control cholesterol, you will save tens of thousands of dollars required to take a medication for a lifetime.

- **Exercise physiologist**

If you have difficulty sticking with exercise, consider seeing an exercise physiologist to help you develop a personal exercise prescription for you. You cannot use your HSA dollars for a fitness center membership, but you can pay for professional services in developing an exercise program. Lack of exercise is a risk factor for heart disease, stroke and diabetes, and developing a good exercise program will help prevent serious medical problems in the future.

- **Psychologist**

A psychologist can help you develop a stress management program that will relieve stress and improve quality of life.

- **Weight loss programs**

In the case of weight loss programs, publication 502—the document that outlines services in detail—suggests that you need a doctor's referral to a weight loss program.

- **Smoking cessation program**

You can use your HSA dollars to pay for a smoking cessation program; as one of the most serious health risk factors, a smoking cessation program is highly beneficial.

Paying for doctors, labs and RX

Always use your ID card

Your insurance company will provide you with an ID card which will allow you to access medical care at a discount when using their contracted providers. Show this card when filling prescriptions, visiting the doctor, ER, hospital or facility. You can even use this card to get discounts for acupuncture, chiropractic and eye care when visiting providers contracted with your insurance company.

Read your Explanation of Benefits (EOB)

Using your ID card also provides your health care providers with the information they need to send your claim to your insurance company for you. You will receive an Explanation of Benefits (EOB) in the mail (also available to view online when you register). The EOB is the key to understanding the bill your doctor will eventually send you to pay. Medical care from the insurance company will be discounted during this process. Be sure to wait for the bill from the provider and make sure it agrees with your EOB before you pay the provider.

Doctor visits

For example, if you visit an in-network doctor for a cold, show your ID card and wait for the EOB from the insurance company and the corresponding bill from the doctor. A doctor may bill \$250 for these services, and the insurance company may negotiate this amount to \$75. You will pay the \$75 and that will be credited toward your plan deductible.

Labs and x-rays

When you visit an in-network lab, they will submit the bill to the insurance company, and you will only need to pay the negotiated fee, which can be substantially less than for an out-of-network lab.

Prescriptions

Prescriptions are automatically discounted and credited at the pharmacy—just show your card! You may also want to explore the mail service benefit offered by your insurance company where your prescriptions are mailed to you in a 2-month or 3-month supply.

Annual check-up

Some of the new HSA-compatible health plans provide full coverage for your annual check-up at an in-network doctor. Once a year you will have your physical exam, pap, mammogram and tests paid by the insurance company.

Out-of-network providers

When visiting out-of-network, non-PPO providers, still submit the claim to the insurance company so you will get credit to your deductible for the allowed amount. For these providers you will pay their full fee instead of a discounted negotiated fee.

Your insurance is giving you peace of mind that you will not have a large bill that you cannot afford to pay and they are working for you to make health care more affordable by applying negotiated fees at their providers.

Keeping good records

I recommend a two (2) file system.

Label two manila folders for your file cabinet: EOB and HSA.

EOB

“EOB” stand for “explanation of benefits.” When you see a doctor, you do not pay at the time of service. The doctor submits a bill to the insurance company. The insurance company then sends you an explanation of benefits that tells you how much you should pay the doctor. Shortly after you receive your EOB, you will receive a bill from your doctor. The amount of the EOB should equal what the doctor bills you.

Put the newest EOB in the front of the folder. That way you will have a chronological history of medical services.

HSA

In this file you can keep your HSA statements. This way you will always know how much money you have in your health savings account. Local banks will often mail you a monthly statement that you can store in this folder.

If you use an online bank, it might be useful to print out copies of your statement on a quarterly basis and store in this file.

If you pay the medical bill by check, you can keep your checkbook in this folder.

This system will allow you to keep excellent records of medical costs. If you are ever audited by the IRS, you will have documentation that you used your health savings account for qualified medical expenses.

At tax time

Contributions to your health savings accounts are tax-deductible. Each year the bank will send you a 1099 statement for the amount deposited to your health savings account. This will be the documentation that allows you to deduct those contributions on your 1040 form. If you exceed these maximum, there are tax penalties.

Contributions to your health savings account are deductible from Gross Income. Consult with your tax advisor for greater details. Link to 1040 form <http://www.irs.gov/pub/irs-pdf/f1040.pdf?portlet=3>.

Individuals

Deduct HSA contribution on line 25 of 1040 form.

Self-employed individuals

Deduct health insurance premiums on line 29.

Deduct HSA contributions on line 25 of 1040 form.

Owners of Subchapter S Corporations (>2%)

Deduct health insurance premiums on line 29.

Deduct HSA contributions on line 25 of 1040 form.

Employee of company

If your employer puts money into your HSA, you can put additional money in your HSA using payroll deduction through your company's cafeteria plan. You do not need to report that contribution on your 1040.

If your employer does not offer payroll deduction, you can still put money into your HSA and then take a deduction on your 1040 form. Note: you can never exceed the maximum contribution limits.

The HSA Strategy (graphic)

The HSA Strategy Concept

- Step 1: Enroll in an HDHP
 - To protect against large, unexpected health expenses
- Step 2: Open an HSA
 - To pay routine expected health expenses
- Step 3: Set a goal to save and invest unused HSA dollars
 - To provide a lifetime of benefits

The High Deductible Health Plan (HDHP)

- Minimum Deductibles (2009)
 - Individual: \$1,100
 - Family: \$2,200
- Out-of-pocket maximum (2008)
 - Individual: \$5,800
 - Family: \$11,600
- NO copays for office visits
- NO copays for prescriptions
- YES copays for preventive

The Health Savings Account (HSA)

- Eligibility
 - Have an HDHP
 - No other non-HDHP health coverage
 - Not enrolled in Medicare
 - Not claimed as a dependent
 - 18-65 years of age
- Contributions and Distributions
 - Tax-deductible contributions (2009)
 - Individual maximum \$3,000
 - Family maximum \$5,950
 - Tax-free withdrawals for eligible expenses
- Two philosophies for using HSA
 - Save now, spend now (spenders)
 - Save now, spend later (savers)
- Eligible expenses
 - Diagnosis, Treatment and Prevention
 - Medical, dental, vision, alternative care etc.
 - LTCi premiums
- A Lifetime of Benefits
 - Current health care expenses
 - Future expenses up to age 65
 - At retirement:
 - Medicare premiums: parts B and D
 - Expenses not covered by Medicare: Medicare deductibles, coinsurance, physicals, dental and vision, LTC insurance premiums
 - Un-reimbursed LTC expenses
 - Pass onto spouse tax-free
 - Other uses (taxed like IRA):
 - Use HSA to supplement retirement
 - Final Expenses
 - Pass on to heirs

Want to learn more?

Books by Robert Hopper, Ph.D.

The HSA Strategy: The Future of Health Insurance in America

This is the continuing education textbook for the insurance industry. Book endorsed by the leading experts in the healthcare industry.

Health Care Happily Ever After: A Friendly Little Tale of the Health Savings Account and How it Won the Heart of a Nation

This is a short book (88 pages) that makes the case that every American should have a high deductible health plan. Ideal for business owners and HR Directors.

Both books are available from the publisher: AD Banker, Overland Kansas.

Phone: (800) 255-0408

Website: www.ADBanker.com

Articles on HSAs

December 10, 2007: HSAs provide a lifetime of benefits

<http://www.producersweb.com/r/HIS/d/contentFocus/?adcID=67d6dd44a317f05deffbd8cca1a2d6dc>

December 28, 2007: The best benefit plan in America

<http://www.producersweb.com/r/HIS/d/contentFocus/?adcID=b73aac5befe727aa61c352a669cefb3d>

The new criteria for employee benefit plans

<http://www.producersweb.com/r/HIS/d/contentFocus/?adcID=0c55f6bb8038dc125f0de8793bc04ea2>

April 2, 2008: Are employers over-insuring their employees?

<http://www.producersweb.com/r/HIS/d/contentFocus/?adcID=b3f19d9051afb20e0cf465c81cd7f9da>

May 13, 2008: Benefit administrators need to act objectively

<http://www.producersweb.com/r/HIS/d/contentFocus/?adcID=0d6880ecc696cbb603cc1ce295da8e5d>

July 8, 2008: Hybrid financing will increase HSAs adoption

<http://www.producersweb.com/r/HIS/d/contentFocus/?adcID=234fc60de1c8e511349b78fb7cba42bb>

August 21, 2008: Hybrid cars and hybrid health insurance

<http://www.producersweb.com/r/HIS/d/contentFocus/?adcID=e395b3b6ceb1f58f0946d5b5630cd199>

October 22, 2008: The new “Core Benefit” for all employees in America

<http://www.producersweb.com/r/HIS/d/contentFocus/?adcID=42429aaa40f443bf4d1def204517e0fd>