

THE ADVANTAGES OF HIGH DEDUCTIBLE HEALTH PLANS

By Emily Tonkovich

As the cost of health care continues to rise, many employers are considering high deductible health plans (HDHPs) to help control costs.

HDHPs typically have lower premiums than traditional insurance plans in exchange for a higher deductible. Because of this, many associate HDHPs with offering a lesser benefit. However, HDHPs can be beneficial for both employers and their employees and may actually be a better fit than a more traditional plan. For example:

- Employers can save money without necessarily having to provide a narrower network or substantially limit access to specialists, services, and medications.
- Employees have a higher financial stake in their health care decisions and may be more likely to economize the cost of their health care by shopping around for high-quality providers. This may help lower an employer's overall claims.
- As described below, employers can contribute to a health savings account (HSA) or set-up and Health Reimbursement Account (HRA) to assist employees with the higher deductible.

With an HSA arrangement, employers can make tax deductible contributions to their employees' HSA. Employees can also contribute to their HSA on a pre-tax basis. Employees are then able to withdraw money from their HSA, tax-free, to pay for qualifying medical expenses. Unlike a flexible spending account, money in an HSA is not forfeited at the end of the year. This allows employees the opportunity to accumulate substantial savings in the event of an illness or hospitalization.

Alternatively, some employers may decide to set-up an HRA to assist employees with the higher deductible. With an HRA, the employer sets aside a specific amount of money to reimburse employees for qualifying medical expenses, up to a certain amount. The reimbursements are tax-free for employees and the employer contributions to the HRA are tax deductible. At the employer's discretion, the employer can also allow the employees to carryover a portion or all of their unused funds at the end of the plan year.

Ultimately, employers should not rule out HDHPs when evaluating their plan design options. Often times they are practical way to offer a high-quality health plan to employees at a lower cost, especially when paired with an HSA or HRA. Your BRSi Advisor can assist you with determining whether a HDHP is a good fit.

Disclaimer: This Compliance Alert is for informational purposes only. It is not intended to be exhaustive and should not be construed as or substituted for legal or tax advice. Please consult with legal counsel or a tax advisor for further guidance.

Benefit Review Services, Inc.

43370 Mound Road

Sterling Heights, MI 48314

586.997.1700

www.brsibenefits.com

816 9th Street SW

Vero Beach, FL 32962

772.257.5439

To view all articles, click [here](#).