

Supplemental Health Insurance Products and Health Savings Accounts

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Taxes, Taxes, Taxes

Taxes can continually be adjusted

- Achieving ongoing behavioral change
- Favored tax treatment of health insurance and health expenses

Health Plan Evolution

– Fee for Service

- Base Hospitalization, Medical Surgical, Supplemental Major Medical
- Comprehensive Major Medical
- High Deductible Health Plans aka Consumer Driven Health Plans

Growth in HDHP

- In the Kaiser Family Foundation's 2011 employer survey 17% of the covered workers were enrolled in a high deductible plan, up from 4% in 2006.

Currently with HDHP

- General Electric
- J P Morgan Chase
- Chrysler
- Wells Fargo
- Whole Foods
- American Express

Where We Are Going

- Seventy percent of large companies in a 2012 Towers Watsons survey said they will offer high-deductible insurance by 2013

HDHP/HSA Here to Stay

- Employees: Helps Employers Control Costs
- Retirees: 39% of companies currently consider their HSA for actives part of their retiree medical strategy, and another 20% are planning or considering such a strategy over the next three years

High Deductible Health Plan

For calendar year 2013, a “high deductible health plan” is defined under Internal Revenue Code § 223(c)(2)(A) as a health plan with an annual deductible that is not less than **\$1,250** for self-only coverage or **\$2,500** for family coverage, and the annual out-of-pocket expenses (deductibles, co-payments, and other amounts, but not premiums) do not exceed \$6,250 for self-only coverage or \$12,500 for family coverage.

Health Saving Account (HSA)

A health savings account (HSA) is a tax exempt trust or custodial account that you set up with a qualified HSA trustee to pay or reimburse certain medical expenses you incur. You must be an eligible individual to qualify for an HSA.

Health Saving Account (HSA)

2013 Annual Contribution Limit

- Self-only coverage - \$3,250
- Family coverage - \$6,450

Health Saving Account (HSA)

- **Qualifying for an HSA**
- You must be covered under a high deductible health plan (HDHP),
- You have no other health coverage except what is permitted under *Other health coverage*
- You are not enrolled in Medicare
- You cannot be claimed as a dependent on someone else's tax return.

Health Saving Account (HSA)

- **Permitted Other Health Coverage**
 - Workers' compensation
 - Specified disease
 - Fixed amount per day of hospitalization
 - Accident, Disability, Dental, Vision, LTC

Hospital Indemnity Plans

- Current Market Segments
 - Supplemental
 - Primary (Limited Benefit Medical Plans)
- Future Market Segments
 - Supplemental
 - HSA Compliant, Non-Compliant
 - Primary (Limited Benefit Medical Plans)
 - 29 Hour Employees, Opt Outs

What About GAP and HSA?

- Remove triggers that would create any payment with the deductible corridor

Questions

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Jeopardy Quotations

- What did _____ say?
 - No taxation without representation
 - Give me liberty or give me death
 - Let's just call it a tax
 - Give me the liberty to pay or avoid taxes

Sources

- Internal Revenue Code § 223
- IRS Publication 969
- 17th Annual Towers Watson/National Business Group on Health, Employer Survey on Purchasing Value in Health Care
- Kaiser Health News, The New Normal In Health Insurance: High Deductibles
- US Department of Labor Technical Release No. 2012-01

Nearly Final Thoughts

- Rising Medical Cost will result in higher Out of Pocket Expenses for Patients
- The need for Supplemental Health products will be greater, though differentiated
- HSA structure keeps the patient/consumer interest aligned employers, segmenting the market for medical supplements
- For success, segment product offerings

Final Thought

Oh, say does that star-spangled banner yet wave

O'er the land of the free and the home of the brave