

Non Profit school reduces healthcare cost nearly 50% using a Health Savings Account (HSA)

Non-Profit school cuts employer healthcare costs while allowing employees to reduce their healthcare contributions by nearly 50% using a Health Savings Account (HSA)

BACKGROUND

A non-profit client of ours has consistently struggled with maintaining a balance between a high level of benefits and employee contribution levels. Every year they have experienced double digit increases, and have had to reduce plan coverage in order to hold the amounts taken from employee paychecks at the existing level. This client is paying 100% of the cost for the employee only. Employees covering a spouse, children, or both a spouse and children, must pay the difference between the category they fall in to and the “single” rate billed to the group by the health insurance carrier.

KEY FINDINGS

After surveying the employees, it was found that the majority were concerned mainly with the doctor office visit copay and the amount that they would have to contribute towards the premium from each bi-weekly paycheck. After further investigation, it was found that the majority of employees were not using the plan much more than once a year for their routine physical exam.

RECOMMENDATIONS

After researching various options based on our findings, we concluded that the implementation of a Health Savings Account (HSA) with a high deductible health plan (HDHP) would be an excellent fit for this organization.

➤ How does this work?

With this specific setup, the HDHP implemented had a \$1500 deductible for employees taking “single” coverage. All other employees have a \$3000 deductible. With the exception of preventive coverage, the appropriate deductible must be met before the plan begins to cover the employees at a copay. When employees utilize the plan, they can draw from their HSA tax free in order to pay for any eligible medical expenses. Educational meetings were held, and in many instances one on one attention was given, in order to make sure all employees understood how this type of plan works.

SUMMARY

This type of design created a 50% reduction in the total monthly premium. The drastic premium reduction created such a significant savings for the organization that the employer was able to put \$1500 in each employee’s HSA account. On top of the employer’s \$1500 contribution, the amounts that the employees would be saving annually in payroll deductions actually exceeded the deductibles in some cases which put employees ahead of the game before they even received their \$1500 employer contribution. The bottom line; the two most important concerns from employees were addressed:

1. Low doctor office visit copays – employees can actually pay an entire copay with the employer’s money in the HSA should they choose. Their copay can be \$0.
2. Reduce payroll contributions – many employees saw payroll deductions reduced by thousands per year.