The Numbers Prove it! Health Savings Account (HSA) Plans Beat the Co-pay plans for Price, Protection and Value!

by Emily Harding

Health Savings Account Plans have finally made it to Rhode Island and a quick comparison with a popular and pricey $10 office visit co-pay plan provided by one of the two carriers in the state against it's recently introduced HSA qualified high deductible plan proves the HSA offers the best protection for the money. This is easy to see comparing realistic situations using actual premiums and out of pocket costs two identical hypothetical families, the Smiths and the Jones, would each have with the two different types of plans. The parents are both in their late 40's and each family has two children.

The $10 co-pay plan runs $1203.60 per month and gives the Smiths coverage in a small network comprised of Rhode Island and some eastern Massachusetts and eastern Connecticut providers but excludes Mass. General Hospital. If they need coverage outside this small area, they are responsible for a maximum of an additional $5000 in non-network out of pocket costs.

The co-pays, which apply both inside and outside the network, are an additional expense. The commonly overlooked co-pays, typically not factored in to total costs the way they should be, are $10 for an office visit; $25 for an urgent care visit and $50 for the emergency room. Prescription drug co-pays run $10 for generic; $30 for brand name and $50 for non preferred brand name drugs.

In a healthy year, where the Smiths uses this plan just for their annual check-ups, the total annual cost of the $10 co-pay plan (for an estimated $400 to $600 in total value of services received that year) costs $14,443.20 in premiums and $40 for four co-pays for a total of $14,483.20 for the year.

In a bad year, where two members of the family began taking prescriptions for chronic conditions but still managed to receive all their care inside the network, we must add to the above , $260 per month for four non-preferred co-pays at $50 each and two brand name prescriptions drug co-pays at $30 each every month. The total additional out-of- pocket costs the Smiths had this year in prescription drug co-pays was $3120. They also had a total of 10 additional visits to the doctor, which cost another $100 in co-pays. This year the plan would have cost them $3220 more out of pocket than the year before or a total of $17,703.20

The third year was even worse as one of the Smiths found themselves needing care at Mass General and another needed treatment at Johns Hopkins. Both were considered "out of network" by their popular $10 co-pay plan. Of the $30,000 in hospital expenses, since the services were received out of network, this year the would have been responsible for an ADDITIONAL $5000.000 in out of network coinsurance added to last year's cost for a total cost for medical care for that year of $22,703.20.

The Jones on the other hand, had elected instead to go with a sensible HSA plan. The premiums are $766.42 every month. The aggregate family deductible, which every family member's expenses can apply towards, is $4000. After that the Jones are covered 100% for EVERYTHING – including prescriptions. Additionally, the HSA plan uses a national network of providers, so access to doctors for the Jones is superior than what the Smiths, with the more expensive $10 co-pay plan have.

If we apply the same hypothetical situations and usage of their plan that the Smiths had to the Jones, it is easy to see how much better the HSA coverage really is than the $10 co-pay plan . Using the healthy year example above for the Jones, we see that the family's costs would have been just $9197.04 in premiums ($5286.16 less than the popular $10 co-pay plan) . The four annual check-ups would be covered 100% by this HSA plan's preventative care benefit. So family B would have saved the cost of the co-pays.

Additonally, presuming the Jones had taken most of the premium savings and deposited it into a tax advantaged qualified HSA account after taking the allowable 100% tax deduction, based on a 30% tax bracket, they would have realized approximately $1200 in tax savings. This tax savings, reduces the annual cost for healthcare further. After the tax savings is subtracted, the family's cost for healthcare is $7994.04. Since the family earned interest on their $4000 deposit of 4% but also had to pay a custodial fee of $35, their net gain on their deposit the first year was approximately $125 which can also be subtracted from the cost of care bringing the net cost of care to $7872.04.

So in a good year where both families had the same needs (which consisted of just four annual physicals), the Smiths, with the coveted $10 co-pay plan would have paid $14,443.20 and the Jones with the high deductible HSA plan would have paid just $7872.04. The Smiths would have paid $6571.16 more than the Jones for identical care.

In the second scenario, like the Smiths experienced, two of the Jones are given expensive prescriptions for chronic conditions they developed. The costs for the prescriptions come out of pocket and are subject to Jones' $4000 deductible. In this case the four non-preferred brand names drugs cost $120 each and the two brand name drugs cost $60 each. The total monthly cost for the drugs is $540. The annual cost of the prescriptions is $6480 but since the HSA plan has a maximum out-of-pocket responsibility inside the national network of just a $4000 family deductible, that is all they would have to pay out of pocket. Their high deductible insurance would cover 100% of the rest of their expenses, including the additional office visits for the rest of the calendar year.

However, since the Jones can use tax advantaged funds to cover the deductible and since their funds are earning interest tax free, their actual cost was not even the entire $4000 deductible added to their premiums. It was reduced by their tax savings of $1200 and their net interest of $125. So the Jones, in the second scenario, ended up paying a total of $11,872.04 after their savings and interest are factored in. The Smiths in comparison when needing and receiving identical care, with the $10 co-pay plan, ended up paying a total of $18,063.20 or $6191.16 more than the Jones for identical care.

In the third (even worse) scenario, it gets no worse for the Jones since they are protected by stop-loss features of their insurance which covers 100% of expenses once they have reached their out-of-pocket maximum responsibility which is their $4000 deductible as long as they remain inside the plans national network of providers. So what is considered "out of network" for the Smiths in the last scenario, is still "in network" for the Jones.

However for the Smiths with the more expensive $10 co-pay plan, without protection against mounting unlimited co-pays and not being able to receive the care they need in Rhode Island, their costs for would be substantially higher! Since they would be incurring out-of- network expenses on top of the expenses they had in the second scenario, their additional cost of $5000 for the out-of-network coinsurance for two people would bring their total cost for their care this year to $23063.20.

Whereas, the Jones, with the high deductible HSA plan had better built in stop-loss protection.They knew that in a worst case scenario, their healthcare would never cost them any more than the $11,872.04 since they didn't have to worry about unlimited co-pays adding up and making their healthcare costs higher than necessary.

So called financial "experts" suggest that HSA plans aren't for everyone and there are "risks"associated with choosing an HSA plan. But the numbers don't lie. Expensive plans with no real stop-loss protection that have un-limited co-pays, provide less protection for the money; are a worse value and are far riskier than a well priced plan with a high deductible and 100% coverage (after you meet your out-of-pocket maximum) any day. They always have been a better value and always will be. When it comes to health insurance, as illustrated in these examples, you don't always get what you pay for. It pays to closely analyze what you do get for your money. The following worksheets will help you to do this so you never need overpay for health insurance again

Health Plan Specialists HSA Health Plan Comparison Worksheet
For the Smiths and the Jones in the third year above

	Conventional Plan	High Deductible HSA Plan
Plan Design	Deductible:______$___0____________ Coinurance:_________0__(in-network) Hosp. Admit Co-pays:_0____________ O.V. co-pays________10_____:_____ U. C. co-pays________25___________ E.R. Co-pays________50__________ Rx Co-pay 1_________10___________ Rx Co-pay 2_________30__________ Rx Co-pay3________50___________	Deductible:_____$_4000__ Co-insurance__________
Estimated Annual Medical expenses	$37,880.	$37880.
Add items #1 through # 5		
1) Annual Premium	$14,443.20	$9197.04
2) Out of pocket towards deductible	$0	$4000.00
3) Out of pocket towards coinsurance	$0	$0
4) Out of pocket towards co-pays	$3260	$0
5) Non-covered medical expenses	$5000	$0
Expenses subtotal	$22,703.20	$13,197.04
Tax Savings Current yr HSA contribution Tax rate Tax savings	N/A	$4000 x__30% - $1200.
Interest/Growth on HSA funds less fees		- 125.
Unspent HSA funds (this yr's)		- $ 0
Net Expenses (Expenses subtotal less tax savings, interest , remaining HSAcontribution)	$22,703.20	$11,872.04
Total Net Savings (comparison of both plans' expenses)	- $10,706.16	$ 10,706.16

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	Conventional Plan	High Deductible HSA Plan
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Estimated Annual Medical expenses	$	$
Add items #1 through # 5		
1) Annual Premium	$	$
2) Out of pocket towards deductible	$	$
3) Out of pocket towards coinsurance	$	$
4) Out of pocket towards co-pays	$	$
5) Non-covered medical expenses	$	$
Expenses subtotal	$	$
<u>Tax Savings</u> Current yr HSA contribution Tax rate Tax savings	N/A	$ x____% - $
HSA Fund Interest Earnings less custodial fees		
Unspent HSA funds (this yr's)		- $
Net Expenses (Expenses less tax savings, interest earnings, unspent HSA funds contributed this yr)		$
Total Net Savings (comparison of other plan's costs)		$

For help making your comparison and suggestions of ways to get the best health insurance value contact Emily Harding at 401-848-7708 or email here at emilyh@healthplanspecialists.com