



CYPRESS RIDGE SOLUTIONS
& INSURANCE SERVICES, INC.

High Deductible Health Plans—A Good Idea?

By Marc Haberman

As an employer or individual purchaser of medical insurance, are you dealing with double digit premium increases and reduced benefits? Most of our clients are. Our clients often ask us if there is anything they can do to reduce their costs. Fortunately, there is. First, a few health plan usage statistics:

For every group of people, regardless of size, whether you have 5, 50, or 250 employees:

1. 50-70% will not use their health plan, or use it so rarely it is insignificant (less than \$150 in claims per year).
2. A small percentage will seldom use the plan, except for a minor injury or other incidental treatment.
3. 4-7% will utilize health care extensively for a chronic condition, an accident, a pregnancy, etc. This small percentage of employees will not impact the potential savings derived from switching from a low co-pay plan to a high deductible plan.

Last year, one of our clients (29 employees) switched from a low co-pay medical plan to a higher deductible plan. The employees continued with office visit co-pays, prescription co-pays, etc., as they were accustomed. The employer used a portion of this significant premium savings to pay claims directly for those expenses below the deductible, where most of the expenses occur. The immediate premium savings amounted to 42%. After paying the third party administrator and all employee claims below the higher deductible, *the net savings to our client was 31%*. If every employee and every dependent had exceeded the higher plan deductible during the plan year, the employer would have seen a 17% net savings.

Group dental plans utilizing the same concept can expect to save 20% to 26%.

Highlights:

1. The plan changes to the employee are seamless.
2. A good third party administrator handles all the paperwork and employee claims to minimize or eliminate any additional work for the employer.
3. The employer, in most cases, can substantially reduce their group insurance costs.

Individual purchasers can estimate their potential savings by reviewing their plan use over the past few years. To compare different plans, look at the maximum out of pocket expense (stop-loss) plus premiums. You may be surprised to find a higher deductible plan actually reduces your cost, even if you use the plan frequently.

If you have a health savings account (HSA) qualified plan, it is even better. An individual can contribute \$3,050 to a tax-deductible account to cover medical expenses not covered by the medical plan. Unlike the employer Section 125, Flexible Spending Plans, if you do not use all the funds from the account during the year for covered medical expenses, the money continues to accumulate, tax-free, until needed. Please refer to our resources page for more details.

If your agent has not reviewed these options or if you would like more information about health plan cost savings, please call us for a complimentary evaluation to determine if a high deductible plan is right for you.