

# How Does the HDHP Compare?



The High Deductible Health Plans (HDHP) works similarly to our POS plan, allowing you to see your choice of in-network or out-of-network providers. However, the HDHPs feature a higher deductible that must be satisfied before the plan will begin to pay benefits, and it allows you to enroll\* in a tax-advantaged Health Savings Account (HSA) to be used to pay for eligible medical expenses (including your deductible and coinsurance).

Both HDHPs have lower monthly employee payroll contribution rates, compared to the POS plan. The illustration below shows the current monthly employee contributions for employees earning over \$50,000 per year for the POS Plan and both HDHP's. You can see that the monthly employee contribution savings by participating in a HDHP is significant. With savings of this magnitude, you could deposit a portion of the HDHP contribution savings into an HSA to cover the annual deductible and other coinsurance.

Coverage Tier	POS	HDHP \$1,500/\$3,000	HDHP \$3,000/\$6,000	Monthly HDHP Contribution Savings <sup>1</sup>	
				HDHP \$1,500/\$3,000	HDHP \$3,000/\$6,000
Single Employee	\$472.68	\$118.39	\$59.19	\$354.29	\$413.49
Employee + Spouse	\$1,207.42	\$436.65	\$222.70	\$770.77	\$984.72
Employee + Child(ren)	\$1,074.55	\$388.60	\$198.18	\$685.95	\$876.37
Family	\$2,024.72	\$526.49	\$268.51	\$1,498.23	\$1,756.21



<sup>1</sup> Contributions and savings in the chart above are applicable to employees with annual earnings of \$50,000 or greater. Employees who earn less than \$50,000 per year have lower contributions and would see different savings.

(continued on reverse)

# How Does the HDHP Compare?



Under the HDHPs, after you have satisfied your deductible, you are responsible for paying 20% of the costs of in-network care you receive. Suppose, for instance, that you had an outpatient surgery. Both of the HDHPs require you to pay 20% of those charges after satisfying your deductible. The HDHP's offers the option of using a Health Savings Account to pay these deductible and coinsurance using tax-advantaged funds.

Look at the example to the left, and suppose that the employee in question is faced with a \$1,000 hospital bill. If the employee is enrolled in the HDHP and HSA, he can easily pay the hospital's bill from his Health Savings account. However, if the employee is enrolled in the POS plan, he would have to pay the hospital copay out of his take-home pay or from another personal account.

\* Employees enrolled in the HDHP are eligible to enroll in the HSA so long as they are not covered by any other non-high deductible health plan, including Medicare.

## HSA Savings Advantages\*

Let's look at an example of an employee's take-home pay, health plan contributions and health savings compared between the three plans over one year.

Assume the employee makes \$40,000 per year, is enrolled in family coverage with a tax rate of 25% and that the employee makes the maximum annual HSA contribution of \$7,200:

### POS PLAN:

- »  $\$40,000 - \$24,296.64 = \$15,703.36$
- » - 25% Tax = \$3,925.84
- » Take Home Pay = \$11,777.52.40
- » **Health Savings Account = \$0**

### HDHP \$1,500/\$3,000 with HSA:

- »  $\$40,000 - \$6,317.88 = \$33,682.12$
- » - HSA Contribution = \$7,200
- » - 25% Tax = \$6,620.53
- » Take Home Pay = \$19,861.59
- » **Health Savings = \$7,200**

### HDHP \$3,000/\$6,000 with HSA:

- »  $\$40,000 - \$3,222.12 = \$36,777.88$
- » - HSA Contribution = \$7,200
- » - 25% Tax = \$7,394.47
- » Take Home Pay = \$22,183.41
- » **Health Savings = \$7,200**

In each example, the employee's take-home pay is greater with the HDHP plan as compared to the POS. And the employee is able to make the maximum annual HSA contribution.

\*Note: examples are for illustrative purposes only and should not be considered tax advice. Your individual situation may differ.