



## Are HSA insurance plans the answer to skyrocketing costs?

By Susan Tuz  
STAFF WRITER

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Still relatively new on the market, health savings account insurance coverage has many employees confused.

At the same time, HSAs, which are coupled with high deductible insurance plans, are often seen by employers as the answer to providing health care coverage at affordable rates.

In Ridgefield, the Board of Education is negotiating with all four employee unions to get all members to change to HSA accounts. School board chairman Austin Drukker has said the accounts seem comparable in quality of coverage to traditional health plan accounts and that it would save \$400,000 in the 2009-10 education budget if all 700 school employees made the change.

But the unions are balking. All but the administrators' union have refused to make it.

"HSAs are relatively new programs and there are a lot of unknowns," said Geri Carley, the president of the teachers' union. "We know insurance costs are skyrocketing and we want to be part of the solution. But we have concerns about HSAs."

State Healthcare Advocate Kevin Lembo shares the union members' concerns.

"For someone who cannot afford a higher cost, more traditional plan, they do provide coverage against the expenses of catastrophic illness," Lembo said.

"For an employer choosing between providing no coverage and these plans, they are better than nothing," Lembo said. "However, I personally would only choose an HSA if it was absolutely the last resort."

HSA plans are comprised of accounts funded by employees, and sometimes employers too. The accounts are used to pay all medical expenses until the high deductibles of the insurance plans accompanying the accounts is met.

Regulated by the federal government, as of 2009, these savings accounts can hold up to \$3,000 for an individual or \$5,950 for a family.

All health care costs are paid for by the employee out of the savings account until the high deductible is met. Then, the high deductible plan kicks in, paying either 100 percent or 80 percent of the rest of the medical costs, explained Jackie Mitler, actuarial and partner in Health Insurance Solutions of Stamford.

"If you have a family plan, the whole family deductible must be met before any health care will be covered by the plan," Mitler said. "But if you and your family are healthy, and you don't have to draw from the savings account, it can roll



over and build in value from year to year."

Mitler says the HSAs are good deals. Money put into the savings accounts is tax-deductible. The money in the account can build up, and if you are over 40, you're paying less in premiums, even for the high deductible end of the HSA plans, than you would be paying for a traditional health insurance plan, she said.

"For an example, a male between 40 and 44 would pay \$242 in monthly premiums for an HSA plan. That same male would pay \$387 for a fully funded plan," Mitler said. "A male 55 to 59 would pay \$800 a month in premiums for a fully funded plan while his HSA plan's premium would be \$498."

With premium prices and co-pays for traditional plans, the HSAs can save costs, Mitler said.

Lembo says it is "disingenuous" for the marketers of HSA plans to suggest they control costs of health care for either the employee or the health care providers. The plans are often confusing for those covered to find out what care is eligible for reimbursement, he said.

Also, if the employer doesn't contribute a block of money into the savings account in January, money must build up in the account through payroll deductions.

"If the employee has a catastrophic illness at the beginning of the year, the money may not be in the account to spend and the insurance company won't pay until the deductible is met," Lembo

said.

Contact Susan Tuz

at [stuz@newstimes.com](mailto:stuz@newstimes.com)

or (203) 731-3352.