

Savvy Brokers

Offer Health Savings Accounts to Expand Their Business and Build a Satisfied Client Base

by Susan Fowler, CFP
Vice President of Sales
UnitedHealthcare's Golden Rule Insurance Company

Like the rest of the health insurance industry, brokers are focused on the challenge of expanding business and serving clients while preparing for future changes in the new reality of health reform.

While we all wait for federal regulations to tell us how the law will be implemented over the coming years, Health Savings Accounts present a here-and-now solution for brokers looking to present their clients quality coverage and lower premiums.

A recent article in the *Washington Post* reports that, in 2011, the changes specifically limited to HSAs will only include two provisions: Consumers can no longer use their funds tax-free for over-the-counter medications unless they're prescribed by a doctor and the penalty for withdrawal of funds for non-medical uses is increased from 10% to 20%.

Meanwhile, HSAs are continuing to grow in popularity in both the employer group and individual markets. By January 2010, more than 10 million consumers were covered by HSA plans, according to the annual AHIP census of private health insurance carriers. That's a 25% increase from just a year before. Large-group coverage showed the fastest growth, at 33%, while small-group coverage increased by 22%. →



Enrollment in the individual market grew to 2.1 million from 1.8 million a year earlier, an increase of 17%. Approximately half of the enrollees, including dependents, are under the age of 40.

What these consumers have discovered is that HSAs not only provide substantial tax savings, but also that they offer quality coverage with lower-cost premiums. At Golden Rule, for example, HSA health plan premiums are typically 45-55% less than premiums for more traditional health plans. Additionally, in many markets, our HSA plans offer wellness and preventive care benefits before the deductible is met.

HSAs offer your clients a tax savings “trifecta”—dollars placed into the savings account are tax-deductible, grow tax-deferred, and can be withdrawn tax-free as long as the money is used for qualified medical expenses. Money that accumulates in the account can be used to help pay the client’s deductible. Savings left in an account at the end of the year roll over, earn interest and continue to grow over time.

Overall, HSAs are a win for clients and a win for brokers. In addition to the savings on premiums and taxes, clients benefit from the control they have over how and when to spend the money that accumulates in their savings account. For brokers, satisfied customers mean more referrals and fewer service issues.

“I try to help my clients realize what HSAs are, how they can save them money and how, in the end, they generally will spend less on health insurance,” says Hank Segal, president of Health Insurance Supermarket in Mountainside, NJ.

In the past, many consumers have confused HSAs with Flexible Spending Accounts, which have a “use it or lose it” provision at the end of the year. However, as more employers have offered HSAs to lessen their costs for health care coverage, more consumers in general have become familiar with the concept, says William A. Steffen of Steffen Financial Inc., which offers health plans in Arizona and Florida.

“I would say about 20% of my prospects are familiar with HSAs,” Steffen says. “Still, I find myself having to introduce the concept to get people to think of alternatives other than the typical co-pay concept. In 95% of situations, an HSA will offer lower premiums and lower out-of-pocket risk as well as lower taxable consequences. The typical co-pay plan carries unlimited out-of-pocket risk. Co-pays can be forever.”

Steffen says it takes “about 15 minutes for the light bulb to go on” before clients begin to realize that it makes sense to insure against the catastrophic and the unknown through high-deductible coverage, and to fund the more routine and foreseeable health care expenses through an HSA.

Steffen is also a registered investment advisor. He often shows clients near retirement age how they can coordinate IRA withdrawals and HSA funding for maximum tax savings. He says agents and consumers frequently overlook the tax advantages, which he calls the most powerful part of HSAs.

“I personally feel HSAs are the answer to health reform,” Steffen concludes. “My clients become better consumers, they ask more questions about what is absolutely necessary, and are

better able to do what’s in their best interests.”

Segal agrees that his HSA clients have become better-educated consumers of health care. “In the past, consumers were so used to benefit-rich plans that they didn’t know the real costs of health care,” he says. “Employers in the past did not make a big deal of how much they contributed to their employees’ health coverage, but that has changed dramatically as health care costs have continued to rise.”

According to Segal, whose firm offers health plans in 15 states, HSAs are particularly suited to the needs of the self-employed. “The last thing self-employed people want is surprises. With HSAs, they have a good idea of what their final costs will be the day the contract is issued. No matter what happens, you have your health expenses covered. The tax savings is a plus.”

With millions of Americans looking for ways to save on their health insurance, control their health care spending and reduce their taxes, it still makes sense to present to your new clients the premium and tax savings advantages that HSAs can offer them. **HUI**

To help brokers educate their clients about the advantages that HSAs offer, Golden Rule created www.HSACenter.com, where brokers and their clients can find comprehensive, straightforward information on HSAs and how they work.

Recently updated with increased usability and additional content, www.HSACenter.com presents consumer-friendly information in multiple formats. Interactive calculators allow clients to compare HSAs to other health plans, estimate their potential tax savings and calculate the future value of accumulated savings. In addition, there’s an extensive list of frequently asked questions, qualified medical expenses for HSA plan users and other useful resources.

