

Health Reimbursement Arrangement

Efficiency for Healthcare

HRA Case Study

Problem: Employer A received a 10% increase on their Group Health Plan, which was the fourth year of double digit increases.

Dilemma: Employer A was faced with either cutting benefits or charging employees for a portion of their healthcare coverage. Employer A asked Concise Solutions to complete an analysis of alternative options.

Analysis: After a detailed review of plans and a survey of employees, it was determined that the majority of the healthcare plan usage was office visit and Rx benefit related.

Solution: Concise recommended a High Deductible Health Plan (HDHP) and shopped around for competitive rates which kept first dollar benefits for office visits and Rx, and coupled this with an employer sponsored Health Reimbursement Arrangement (HRA). Employees continue to be responsible for the last \$1000 of their medical deductible and Employer A pays the first \$1000.

Result: Employer A was able to significantly reduce cost while maintaining a rich benefit plan for all employees. Actual **First Year Savings \$21,696 vs. their renewal rate**

HRA Frequently Asked Questions

Q. What is an HRA?

A. An HRA is a tax exempt federally authorized reimbursement method that provides the employer the ability to reimburse employees for medically qualified expenses.

Q. Can an employee contribute to an HRA?

A. No, an HRA can only be funded by an employer and voluntary salary reductions are not permissible by the IRS.

Q. Are employees required to have insurance with an HRA?

A. No, there is no legal requirement for this. However, employers could make this a requirement as plan design is almost 100% customizable.

Q. What percentage of employees actually use their health insurance?

A. Studies show only 20-50% of covered employees actually utilize their healthcare plan—A great reason for everyone to save with an HRA.

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HRA Savings Analysis

	#	Traditional \$2000 Ded. \$20 Co-pay Plan		HDHP \$2000 Ded.
		Current	Renewal	New Plan
Monthly Premiums:				
Employee Only		\$378	\$415	\$334
Employee & Spouse	7	\$838	\$921	\$717
Employee & Family	4	\$997	\$1096	\$1001
Employee & Child(ren)		\$699	\$768	\$634
Total Monthly Premium:		\$9,854	\$10,831	\$9,023
Total Members	11			
Total Annual Premium:		\$118,248	\$129,972	\$108,276

Monthly Premium Savings vs. Renewal \$ 1,808
 Premium Savings \$ 21,696
 Max HRA Liability: \$ 11,000

Total Cost Savings Based on Utilization

Cost Savings if utilization is	100%	\$ 10,696	
	75%	\$ 13,446	
	50%	\$ 16,196	
	25%	\$ 18,946	
<u>Actual Utilization</u>	<u>9%</u>	<u>\$ 20,706</u>	Savings

**(Illustrated savings are based on an actual case. Illustrations are not a guaranteed savings.)*