

HSA Healthline

February 2007

CEO Corner

By Lynn Paulson, CEO

Recent legislative enhancements made to the HSA program will make a good health care alternative even better. We're seeing an elevated level of interest in high deductible health plans (HDHP) coupled with HSAs from both an employer standpoint, as well as from an individual insured's perspective.

Consumer driven health care is likely the only feasible alternative to stemming out-of-control health care costs. That said, until insurance carriers and providers start offering true transparency of pricing and objective quality of care measurements, it's going to be hard for health insurance consumers to make informed health care decisions. We need to continue to educate insureds to act like consumers in terms of taking accountability for their health care dollars. Failure to do so will only allow health care costs to continue to escalate. We need proper information to allow the free market to do what it does best - allow quality and price to find the right equilibrium.

I recently interviewed (and hired) a new employee that expressed concern in the interview process that he may have to give up his current HDHP/HSA health care policy. He was thrilled to learn that Choice Financial had already made the move to consumer driven health care with HDHP/HSAs. A year or two ago, you wouldn't have had a health insurance consumer requesting and preferring a HDHP. The tide is slowly changing as health insurance consumers are educated on their health insurance policy options and understanding the benefits of a HDHP and HSA paired together.

Don't be afraid to ask your health care provider about prices and quality measurements. Only by requesting these metrics will insurance carriers and providers start making available pricing and quality measurements for consumers.

The free market is a powerful tool if allowed to operate appropriately. It doesn't have to come at the expense of

sacrificing quality of care. Look at just about any other industry or product that has allowed the free market influences to operate. Costs typically go down and the quality goes up. I believe the same thing can happen over time in health care. Collectively, we can make a difference.

Health Care Savings

By Jennifer Roy, HSA Customer Service Advisor

With the cost of health care rising faster than inflation, everyone is searching for ways to save on their health care expenditures. According to *Money* magazine, there are a variety of ways for you to cut costs just by being a smarter consumer.

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2007 HSA Changes

By Lori Doeel, Business Development Officer

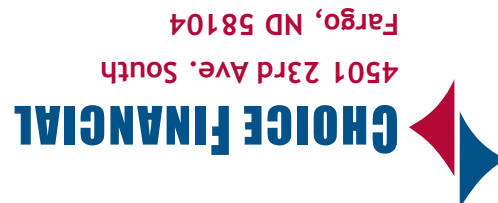
The Tax Relief and Health Care Act of 2007 was amended to include some beneficial changes to HSAs, including the following:

- Employers can now transfer funds from Flexible Spending Arrangements (FSAs) or Health Reimbursement Arrangements (HRAs) to an HSA for employees switching to coverage under an HSA-compatible health plan. The amounts rolled over to HSAs from FSAs or HRAs are over and above the amounts allowed as annual contributions.
- Previously, the maximum HSA contribution was the lesser of the deductible of the individual's HSA-eligible plan or a statutory maximum. The new rules make the limit the statutory maximum contribution, regardless of the individual's deductible. For 2007, the maximum contribution for an eligible individual with self-only coverage is \$2,850, and the maximum contribution for an eligible individual with family coverage is \$5,650.
- Normally, HSA contributions are prorated based on the number of months that an individual during the year was eligible. The new provisions provide an exception to this rule that will allow individuals who become covered under an HSA-eligible plan in a month other than January to make the maximum HSA contribution for the year based on their coverage in the last month of the year.
- Another new rule allows for a one-time contribution to an HSA of amounts distributed from an Individual Retirement Account (IRA). The contribution must be made in a direct trustee-to-trustee transfer. The IRA transfer will not be included in income or subject to the early withdrawal additional tax. The transfer is limited to the maximum HSA contribution for the year, and the amount contributed is not allowed as a deduction.
- Under previous law, if an FSA had a grace period following the end of the plan year allowing participants to incur additional reimbursable expenses, participants were treated as having disqualifying coverage, reducing their HSA contribution for that year, even though they had switched to HSA-eligible coverage at the first of the year.
- The new rule treats certain FSA coverage during a grace period as disregarded coverage, eliminating any resulting reduction in the HSA contribution for the year.
- Indexing was previously based on a 12-month period ending August 31. The new rules change the base period to the 12-month period ending on March 31 and require that adjusted amounts for a year be published by June 1 of the preceding year.
- Previously, employer contributions under the comparability rules had to be the same amount or percentage of the deductible for all employees with the same category of coverage. Consequently, employers could not contribute higher amounts to lower-paid employees. The new rules provide an exception to the comparability rules allowing employers to contribute more to the HSAs of non-highly compensated individuals.

Health Savings Accounts are improving the way Americans obtain the care they need.

HSA Hotline: 866-702-9033

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Health Care Savings *(continued from front page)*

Here are five cost saving tips that will allow you to stretch your dollar when it comes to your health care.

ASK FOR A DEAL:

According to a 2005 Harris Interactive Poll, about two-thirds of adults who negotiated for a lower price with a hospital or dentist succeeded, as did three out of five adults who bargained with their doctor. Call your insurance customer service department and ask about the rate it pays physicians in your area, which are usually lower than what you are paying.

LOOK FOR MISTAKES:

As many as eight out of 10 hospital bills contain errors, increasing the bill by 25 percent on average. If you spot an error on your bill, send a letter requesting a corrected bill, and a copy of all documentation to your insurance provider.

FIND A CHEAPER ALTERNATIVE:

Ask for a generic version of a brand-name drug you're taking. A drug that has been on the market for more than 10 years usually has a generic version available. If a generic drug isn't available, you can also ask your doctor about a therapeutic substitute or an older drug in the same category.

STRESS LESS:

According to Dr. Herbert Benson, founder of the Mind/Body Medical Institute, between 60 - 90 percent of doctor visits stem from stress. Take time out of your busy day to relax, join a gym, or exercise for at least 30 minutes a day.

FLOSS DAILY:

Flossing is the best way to prevent periodontal disease. A minor problem with your teeth may cost you \$200, while a tooth replacement could cost you \$2,000 or more.