

More and more employers are utilizing a new strategy that combines high deductible health insurance with a HRA (health reimbursement arrangement) plan to substantially reduce insurance costs.

The HRA concept is simple: the employer considers using a high deductible group health insurance plan to reduce premiums and save money. To offset the effect of the new high deductible to employees, the employer establishes an HRA plan to pay the difference between the old deductible and the new high deductible. The HRA only pays if an employee actually has deductible expenses during the year.

How many employees will reach the high deductible? Actuaries that typically, 15-20% of the employee population will reach the high deductible each year.

Example: Your groups current health plan has a \$500 deductible. To save money you buy a \$2,000 deductible plan. You then establish a HRA plan that will pay deductible expenses from \$501 to \$2,000. Once the expenses exceed \$2,000, the insurance company pays the expenses. The employee continues to pay the first \$500 of deductible expenses as they have, so nothing changes for the employee. You the employer, reap your savings from the reduced premium as well as the unused deductible expenses.

Use the simple calculator below to determine your savings and if this concept will benefit your group.

- A. Current **Annual** Group Insurance Premium:
- B. New High Deductible **Annual** Group Premium:
- C. Group Premium **Annual** Savings:
- D. 100% HRA liability for all covered participants:
- E. Projected HRA Claims at 20%:
- F. **Annual** Premium Savings after HRA claims:

******Notes**

C – Your annual premium savings are the difference between your old premiums and the new premiums for your high deductible plan.

D – Your total liability is the difference between the employee's share of the deductible and the employers share, multiplied by the total number of participants.

E – Projected claims are the actual claims that actuaries typically project that your group will incur. The actual claims may be lower or higher.

F – Based on your premium savings and your actual HRA claims paid, this figure represents your actual savings.