

# TAX-ADVANTAGED PLANS

FSA—FLEXIBLE SPENDING ACCOUNT

H.S.A.—HEALTH SAVINGS ACCOUNT

HRA—HEALTH REIMBURSEMENT ACCOUNT

MERP—MEDICAL EXPENSE REIMBURSEMENT PLAN

**ROGERS  
BENEFIT  
GROUP**

6155 Almaden Expressway

Suite 210

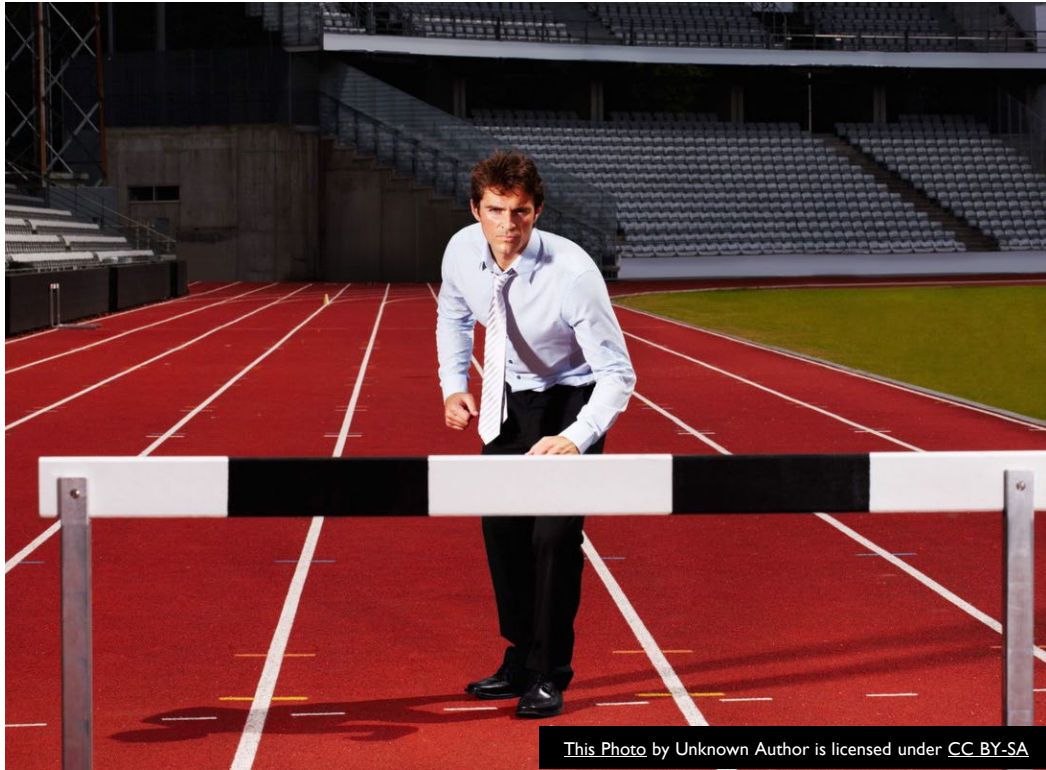
San Jose, CA 95120

(408) 268-9700

[www.rbgcal.com](http://www.rbgcal.com)

Presented by: Chris Hammett

# ROGERS BENEFIT GROUP, LET'S BUILD YOUR BLOCK



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- 2 major obstacles to group insurance sales:
  - Covid (Zoom relationships?)
  - Locked market (rates all within 5%)
- Typical employer wants to know: **“Can we (my company) get a similar or better benefit plan for less money?”**
- *Now, more than ever, employers are looking to attract and retain the best employees.*

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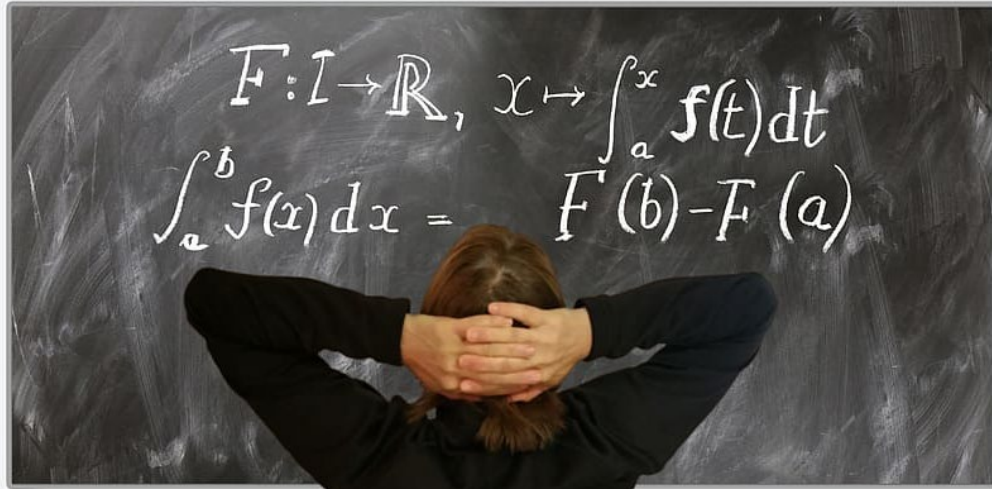
# WINNING NEW BUSINESS WITH TAX-ADVANTAGED PLANS



- 1. FSA - Flexible Spending Account
  - 2. H.S.A. - Health Savings Account
  - 3. HRA - Health Reimbursement Account
  - 4. MERP - Medical Expense Reimbursement Plans
- 
- \*Tax-Advantaged plans subject to discrimination testing. LLCs and Sole Prop (KI ineligible)

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# FSA - FLEXIBLE SAVINGS ACCOUNT



$$F: I \rightarrow \mathbb{R}, x \mapsto \int_a^x f(t) dt$$
$$\int_a^b f(x) dx = F(b) - F(a)$$

- **Premium Only**—EEs pay premiums on pre-tax basis
  - Reduces EE tax liability
  - Reduces ER payroll tax
- **Healthcare**—EEs set aside \$ for unreimbursed medical expenses
  - All expenses must be qualified medical, dental, vision, pharmacy expenses (213d of IRS Code)
  - \$3,600 annual contribution maximum (\$7,200 family)
  - “Use it, or lose it” for expenses occurred within calendar year
- **Transportation and Parking Benefits**—Employees can set aside \$ for qualified commuter expenses
  - Commuter expenses are limited to bus, subway, train, or transit passes and parking
  - \$270 maximum limit for transit or parking
- **Dependent Care Expenses**—Employees accumulate pre-tax funds to reimburse for qualified childcare expenses, or daycare expenses for disabled or elderly disabled dependent.
  - \$5,000 annual maximum (\$2,500 if married and filing separately)
  - “Use it, or lose it”

## FSA - ANNUAL TAX SAVINGS EXAMPLE

<u>Annual Tax Savings Example</u>	<u>With FSA</u>	<u>Without FSA</u>
If Taxable Income is:	\$50,000	\$50,000
And you deposit this amount into FSA:	\$2,000	\$0
Your taxable income is now:	\$48,000	\$50,000
Subtract Federal and Social Security Taxes:	\$13,807	\$14,383
If you spend after-tax dollars for expenses:	\$0	\$2,000
Your real spendable income is:	\$34,193	\$33,617
Your tax savings:	\$576	\$0

# H.S.A. - HEALTH SAVINGS ACCOUNT



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- H.S.A. is a “medical” IRA. It is a tax advantaged account that individuals with an HDHP can fund and use to pay for qualified medical, dental, vision, and pharmacy expenses.
  - HSAs are owned by the individual and are fully portable
  - An employer and/or employee can contribute to an H.S.A.
  - \$3,600 individual /\$7,200 family annual limit with \$1,000 additional “catch-up” for 55 and older
  - H.S.A. contributions are always federally tax free. In addition, contributions are tax-free in 47 states (AL, CA, and NJ are subject to state taxes only)
  - H.S.A. typically has higher deductibles and lower premiums

# H.S.A. - ADVANTAGES BEFORE AND AFTER YOU RETIRE



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- Even with Medicare, retirees face out-of-pocket costs (premiums, deductibles, co-pays). The Employee Benefit Research Institute estimates a man who is 65 will need \$131,000 to recover expenses (\$147,000 for a woman)
- HSA.s cover the gaps
  - Long-term care services
  - LTC Insurance
  - Dental/Vision/Hearing Aids
- HSAs take advantage of triple tax advantages
  - H.S.A. contributions are tax deductible
  - Interest earned in an H.S.A. is tax-free
  - Withdrawals for qualified medical expenses are tax-free

# FSA AND H.S.A. ELIGIBLE EXPENSES



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## Examples of Eligible Expenses

- Office visit co-payments
- Deductibles
- Dental expenses
- Vision expenses
- Walking assistance (wheelchair, cane, walker)
- Hearing aids
- Laser eye surgery
- Medicare premiums
- Prescription drugs
- Physical therapy
- Cares Act – Certain over the counter drugs

# HRA - HEALTH REIMBURSEMENT ACCOUNT



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- Health reimbursement arrangements (HRAs) are tax-advantaged accounts that are funded with *employer dollars* to pay employee expenses not covered by the health plan.
  - HRAs offer a multitude of plan design options.
  - HRAs are not pre-funded and are instead a promise to pay arrangement (i.e. only pay when employee files a claim)
  - HRAs are employer owned and only employers can contribute

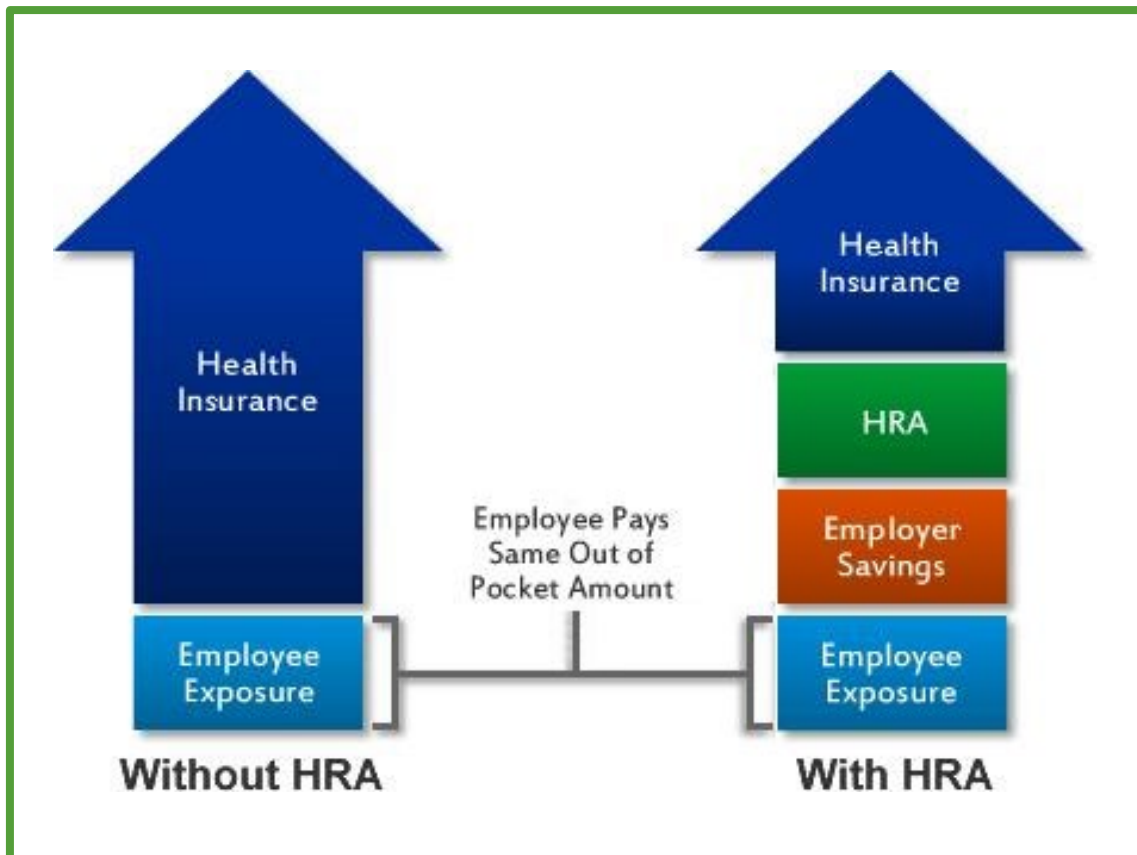
# MERP - MEDICAL EXPENSE REIMBURSEMENT PLAN



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- Ideal Candidate
  - Must be 15 or more employees
  - Employer should have existing group policy  
At least *Silver Level* (*Gold* or *Platinum* are better)
  - Employer seeking creative solution to enhance benefits and reduce cost

# MERP - MEDICAL EXPENSE REIMBURSEMENT PLAN



- Similar to HRA however:
  - Employee contribution is permissible
    - Allows employers to cost share premiums, administration, and potential claims
    - Employers set premium equivalent rates
  - MERP administration is not “tied” to carrier

# MERP - 15 EMPLOYEE GROUP (1 SP, 1 CH, 3 FAMILY) = 25 PATIENTS

	Current UHC-Gold	Proposed-UHC Bronze	UHC Bronze MERP
Deductible	\$500	\$7,200	\$0
Co-pay	\$30/\$40	60%*	\$0
Lab & X-ray	20%	60%*	\$0
Hospital	\$250 + 20%	60%*	\$600
Rx	\$10/40*/85*	\$15/70*/115*	\$0
Max. OOP	\$7,800	\$8,500	\$3,000

	Annual Premium
Current UHC Gold Plan	\$179,697
Proposed UHC Bronze Plan	\$142,634
Savings Available to pay claims	\$37,063



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Average Claims	Total Claims	Total Plan Cost	Annual Savings
Assume 11 patients, average \$600/yr .5 Hospitals @ \$5500 per, \$4k Rx, \$2k MRI, \$3k ER =	\$18,350	\$160,984	\$18,713
Medium Claims Assume 18 patients, average \$600/yr .75 Hospitals @ \$5500 per, \$7k Rx, \$3k MRI, \$3k ER =	\$27,925	\$170,559	\$9,138
High Claims Assume all 25 patients, average \$600/yr 1 Hospitals @ \$5500 per, \$9000 Rx, \$3k MRI, \$4k ER =	\$36,500	\$179,134	\$563

# CREATIVITY AND EXPERTISE WINS BUSINESS



- Utilize our 30+ years of Bay Area employee benefit sales experience
- Have a prospect...give Rogers Benefit Group a call
- Tax-advantaged arrangements can/will set you apart and win new business

# ROGERS BENEFIT GROUP MONTHLY WEBINAR SERIES - NEXT



- Next series about underwriting and conducted by Maggie Salama on November 18.



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**THANK YOU!**