

The background features abstract, overlapping green geometric shapes in various shades, creating a modern and dynamic feel. The shapes are primarily triangles and polygons, some semi-transparent, layered on a white background.

Health Insurance Past, Present & Future

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Healthcare

As Americans continue to debate the impact of the Affordable Care Act (ACA), a quick look at the historical timeline of employer-sponsored healthcare will provide context for the state of American healthcare as it exists today.

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Small Beginnings

- Before the 1930's the American public largely paid its own way where medical costs were concerned
- Americans who worked in dangerous professions such as mining, steel and railroads had access to company doctors in union-operated infirmaries
- Company sponsored clinics were some of the earliest precedents of businesses becoming involved in their employees' well-being

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The Great Depression

- When FDR was elected in 1932, he chose not to pursue universal healthcare coverage
- Many were hard pressed to find money for essentials such as food and shelter
- Healthcare often fell by the wayside for working families to access the basic necessities of life

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World War II and Its Aftermath

- The war created great concern that rampant inflation would threaten America's military effort and undermine the economy
- To combat inflation, the 1942 Stabilization Act was passed
- It was designed to limit employers' freedom to raise wages
- The result was that employers began to offer benefits as incentives instead of pay increases

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The '50s Through The '80s

- The 1950s saw the expansion of healthcare coverage options
- Strong labor unions began to bargain for better benefit packages
- Employer-sponsored healthcare became the cornerstone of the entire American healthcare system
- Health costs fell victim to inflation and retired Americans found themselves unable to afford private coverage

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The '50s Through The '80s

- In 1965, Lyndon Johnson created the Medicare and Medicaid Systems to address the issue of healthcare for retirees and for those working in low-paying jobs
- By the late 60's and early 70's, Senator Ed Kennedy proposed a single-payer plan
- Richard Nixon had his own plan, which Watergate derailed
- Healthcare took a back seat to other national policy issues

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The '90s Through Today

- With Bill Clinton's election in 1992, healthcare once again took center stage
- Hillary Clinton promoted The Health Security Act which would require virtually all Americans to enroll in a health policy
- The plan died in Congress in 1993 largely because it was considered too radical an overhaul of the healthcare system

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The '90s Through Today

- To deal with the growing number of employers dropping coverage because of rampant inflation, HMO's as we know it today were born
- Employees were generally unhappy with the "Doc In The Box" process and wanted greater control of their health care decisions
- Open-access plans became more prevalent, meanwhile health care costs continued to rise

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The '90s Through Today

- In 2010, in response to the crisis in American healthcare, President Obama signed into law the Affordable Care Act
- The new law provided a guarantee that anyone could purchase healthcare regardless of their medical history
- All creditable policies were mandated to include "Essential Health Benefits"
- Insurance carriers were required to spend a fixed amount towards healthcare expenses

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The Future of Healthcare

- President Trump elected
- Ran on platform of “repealing and replacing” ACA
- No decision anytime soon
- Healthcare in America will continue to evolve
- Only time will tell the full story...

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High Deductible Health Plans (HDHP's)

High Deductible Health Plans

- Employers looking for ways to save money
- Few HDHP's - some companies believed it was their best option
- Businesses become more stringent
- Higher the deductible, lower the premium
- Higher financial burden on employees
- Trend more prevalent in small firms due to cost

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High Deductible Health Plans

- Work differently than traditional health plans
- All healthcare expenses paid out of pocket until deductible met
- Exception: wellness care
- Can lead to feeling of spending more money
- Premium reductions need to be factored in
- Not seeking care may lead to greater expenses later on
- Education is the key to success

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High Deductible Health Plans

- Premiums typically lower than co-pay plans
- Provider networks not diminished
- Rarely use health benefits - may save money
- Out-of-pocket expenses negotiated between healthcare provider and insurance company (in network)
- Policyholders can open a Health Savings Account (HSA) to help cover out-of-pocket expenses on tax-deferred basis

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High Deductible Health Plans

- People managing chronic illnesses - high out-of-pocket expenses
- Prescriptions, office visits, diagnostic tests etc., completely out-of-pocket until deductible reached
- Deductibles can be quite high
- Some will not seek medical treatment needed for fear of expense
- HSA participants cannot be enrolled in Medicare, claimed as dependent or have a Flexible Spending Account (FSA)

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High Deductible Health Plans

- Not one-size-fits-all anymore
- Need to think, “How might I need to use my policy?”
- Be prepared for unexpected healthcare expenses
- Think through “co-payment” mentality
- Take advantage of wellness benefits and additional cost saving tools insurance companies provide
- Have the capability to contribute to an HSA

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HDHP and HSA: The Big Picture

The Main HDHP Requirements

- Minimum Annual Deductible For 2018
 - Employee-Only Coverage: \$ 1,350
 - Family Coverage: \$ 2,700
- Annual Out-Of-Pocket Maximum For 2018
 - Employee-Only Coverage: \$ 6,650
 - Family Coverage: \$ 13,300
- The sum of the annual deductible and any other expenses cannot exceed the the Annual Out-Of-Pocket limits

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HDHP Specifics

- Major medical plan
- Minimum essential coverage to avoid ACA penalty
- First-dollar coverage for preventive care including:
 - Periodic health evaluations
 - Routine prenatal and well-child care
 - Immunizations
 - Tobacco cessation programs
 - Screening services (IRS Notice 2004-23)

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HSA's Tax Advantage

Pre-Tax Contributions

- Employee contributions through payroll made on pre-tax basis
- Employee contributions outside of payroll receive above-the-line tax deduction

Tax-Free Growth

- HSA gains not subject to interest, dividend or capital gains taxes

Tax-Free Distributions

- Distributions for qualifying medical expenses not subject to taxation

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HSA's Eligibility

- Covered by an HDHP:
 - Only individuals covered by a HDHP can be HSA eligible
- No Disqualifying Coverage:
 - Coverage by any other medical coverage that pays before the minimum HDHP deductible
 - Flexible Spending Account (FSA) or Health Reimbursement Account (HRA)
 - Medicare

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HSA's Contribution Limits

- Annual maximum HSA limits - Includes both employer and individual

<u>Annual Contribution Limit</u>	<u>2018</u>	<u>2019</u>
Individual Coverage for 2018:	\$3,450	\$3,500
Family Coverage for 2018:	\$6,900	\$7,000
<u>Age 55+ Catch-Up Contribution</u>	<u>2018</u>	<u>2019</u>
Fixed by law and will not further adjust	\$1,000	\$1,000

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HSA's Contribution Limits

- Family Members **DO NOT** need to be HSA Eligible
- At least one other individual covered - individual eligible for family contribution limit
- Other individual could be a spouse, child, domestic partner, etc.
- Other covered individual(s) do not need to be HSA eligible for family contribution limit to apply

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HSA Contribution Limits

- Contribution limit proportional to number of Months HSA eligible
- Special Rule: The Last-Month Rule
- Allows HSA contributions up to full statutory limit even though individual was not HSA eligible for the full year, provided:
- Individual is HSA eligible on December 1st of the year at issue
- AND individual remains HSA eligible for entire year (i.e. the 13-month period from December of year one through December of year two)

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HSA Contribution Limits

- Contributions for the year - due by April 15th of following year
- Individuals and employers may make HSA contributions by tax deadline filing date the following year
- Generally April 15th
- Individual's HSA contribution limit determined by monthly (or via the last month-rule)
- No requirement to contribute monthly

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HSA Distributions

- General Rule: Distributions for qualified medical expenses are tax-free
- Any amount paid or distributed out of a health savings account used exclusively to pay for qualified medical expenses of any account beneficiary shall be not includible in gross income.
- Qualified medical expenses are any expenditure for medical care for the HSA holder, spouse or dependents
- Distribution tax-free only if expense was not covered by insurance or otherwise reimbursed
- Non-medical distributions subject to income taxes and a 20% penalty tax

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HSA Distributions

- Tax-free distribution can be made in future tax year
- HSA distributions for medical expense may be made any time in the future
- HSA owner could delay taking tax-free reimbursement until many years later
- Individual must keep sufficient records to show the distributions were exclusively to pay for or reimburse qualified medical expenses

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HSA Distributions

- Tax-Free Distribution **NOT** affected by HSA Eligibility
- Individual does not need to maintain HSA eligibility to take tax-free distributions for medical expenses
- HSA owner could build up HSA balance, move to non-HDHP and still use the HSA account to cover qualifying medical expenses tax-free
- **REMEMBER:** HSA eligibility is relevant only for determining abilities to make or receive HSA contributions

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HSA Distributions

- Expenses must be incurred **AFTER** HSA established
- Qualified tax-free medical distribution only available if medical expense incurred after HSA “established”
- Most state laws require funded HSA to be established
- HSA won't be established until contribution deposited in HSA

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Example

Type of Coverage	HDHP/HSA	Traditional Plan
Primary Care	100% Of Cost*	\$25.00 Copay
Specialty Care	100% Of Cost*	\$75.00 Copay
Generic Drugs	100% Of Cost*	\$20.00 Copay
Emergency Room	100% Of Cost*	\$300.00 Copay
Deductible*	\$6,400.00	\$2,000.00
Cost-Sharing	0%	20%
Max Out-Of-Pocket	\$6,400.00	\$7,350.00
Monthly Premium	\$306.00	\$515.00
Annual Savings HDHP vs. Traditional Plan		\$2,508.00

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Thank You!

Please feel free to contact me with any questions. You can easily reach me using the following information:

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