

Health Savings Accounts

Why they work for your bank...





What is an HSA?

- An Health Savings Account, or HSA differs from a conventional health plan because it is composed of two pieces: a traditional health insurance coverage with a very high deductible, and a savings account that is usually held in a bank. These savings are tax-free until the funds are withdrawn.
- A Health Savings Account (HSA) is a smart alternative to conventional coverage. Available to any individual, family, or employer group with a qualified high deductible health insurance plan, an HSA provides significant tax benefits.



Who is Eligible for HSAs?

- Any individual that:
 - Is covered by a High Deductible Health Plan
 - Is not covered by other health insurance
 - Is not enrolled in Medicare
 - Can't be claimed as a dependent on someone else's tax return
- No income limits on who may contribute to an HSA
- No requirement of having earned income to contribute to an HSA



Other Information:

- No “use it or lose it” rules like Flexible Spending Arrangements
 - All amounts in the HSAs are fully vested
 - Unspent balances in accounts remain in the account until spent
 - Encourages account holders to spend their funds more wisely on their medical care
 - Encourages account holders to shop around for the best value for their health dollars
- Accounts can grow through investment earnings, just like an IRA
 - Same investment options and limitations as IRAs




Other Information:

- Premiums for HSA-eligible plans are typically 28-35 percent lower than traditional health insurance premiums.
 - HSA plans provide individuals the same discounted prices for health care services given to insurance carriers and large companies.
 - HSAs put real money in the pocket of employees.
 - 30 percent of those buying HSA-plans were uninsured.
 - HSA enrollment spans all demographics - young and old with low to high incomes.
 - HSA premiums are increasing at the rate of inflation, as opposed to their traditional counterparts that are increasing two to three times that rate.
 - HSAs promote fiscally conscious health care consumers.

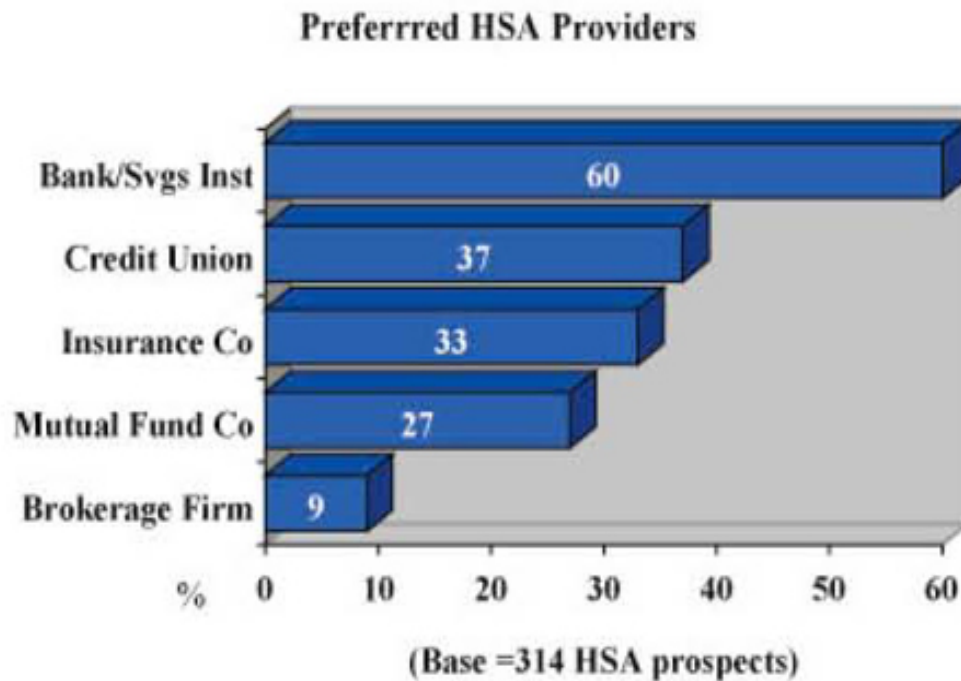


Why Provide HSAs to your Clients?

- Eric Dash of The New York Times states that, “Today, more than 300 financial services companies, including big banks, are taking deposits or will be soon. About 150 more are on the way. Some of the country's biggest health insurance providers have started their own banks.”
- For banks, HSA’s offer multiple sources of revenue. In addition to fees just to start and maintain an account, banks can earn money helping consumers invest the money in stocks, real estate and bonds, according to Thomas Lee of the St. Paul Star-Tribune.

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- Health Savings Accounts (HSAs) provide banks with a unique opportunity to offer some of their traditional products and services to a new customer base.
 - Banks are uniquely qualified to offer HSAs because they are the primary provider of the products and services needed to establish this new product for their wholesale and retail customers.
 - Each bank can design a unique HSA to meet its particular objectives and capabilities, according to William Ries and Michelle Kopnski, authors of the Investment Management and Fiduciary Services Insight – “What Banks Need to Know About Establishing Health Savings Accounts”.

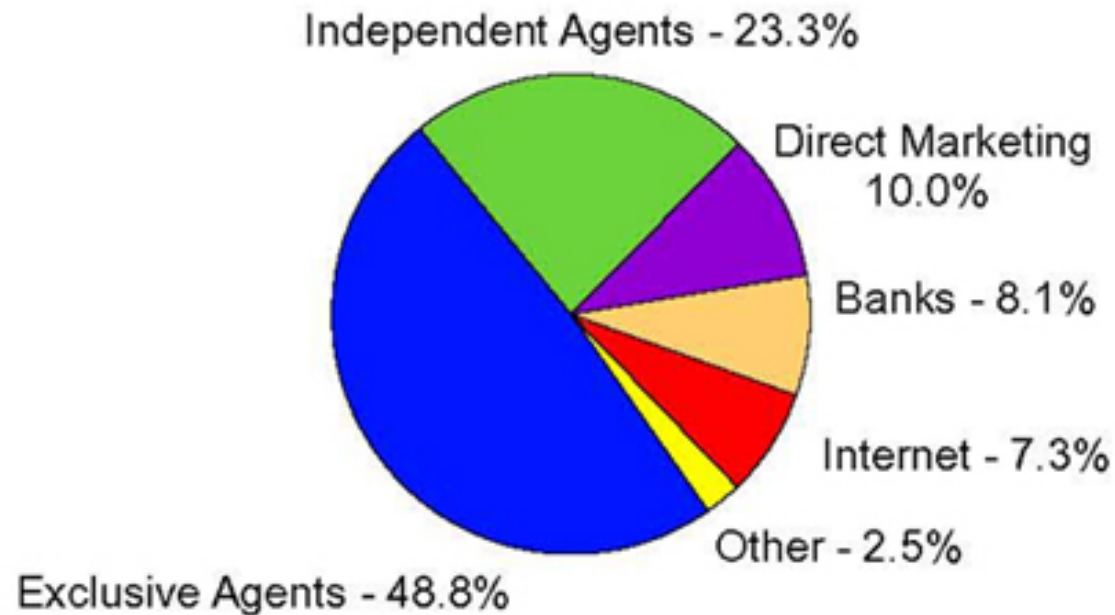
Preferred HSA Providers



- Banks and savings institutions are widely preferred as providers of health savings accounts, according to a recent research study by Synergistics Research Corp. – The Consumer Perspective on Health Savings Accounts

Channels of Distribution

Insurance Channels of Distribution, 2003



Sources: Plunkett Research Ltd., "Financial Services Almanac 2004,"
www.plunkettresearch.com; Datamonitor.



Benefits of Banks Providing HSAs

- In an article for PR Web, an exclusive survey by Information Strategies, Inc. showed that many institutions said they reached very lofty first quarter marketing goals for HSA custodial accounts while reporting tremendous growth in account deposits.
- The survey indicates that total HSA custodial deposits reached almost \$2.1 billion dollars by March 31st. This represented a jump from the \$1.1 billion dollars in HSA accounts as of the end of 2005.



Benefits, Cont.

- “Banks and others are drawn by the promise of lucrative fees they can generate by offering consumers mutual funds and other investment vehicles as their account balances grow. Most also charge \$50 to \$75 to set up a health savings account, and they collect perhaps \$40 or more each year in maintenance charges and service fees.” (Eric Dash, The New York Times)



Benefits, Cont.

- With more than 100 banks surveyed, Information Strategies, Inc. estimates that the total HSA accounts at the end of the quarter were 1.5 million covering an estimated 3.3 million Americans. This represents a jump of 400,000 accounts from year-end 2005 estimates.
- Among the other findings from the survey, according to Laing and her staff, is the fact that a significant majority of responding banks are seeing an increase in both the number of accounts and the number of dollars in those accounts.



Benefits, Cont.

- Banks and insurers are using payment processing and integration tools from niche vendors to bridge gaps and maximize their strategic positioning.
- Contracting payments processing firms to handle HAS accounts gives smaller banks and insurers economies of scale while seamlessly integrating data between banks and healthcare providers.
- Ultimately, bank customers want to seamlessly access healthcare data and make transactions, and the onus is on banks to support this demand.
 - Information provided by HealthDecisions.org



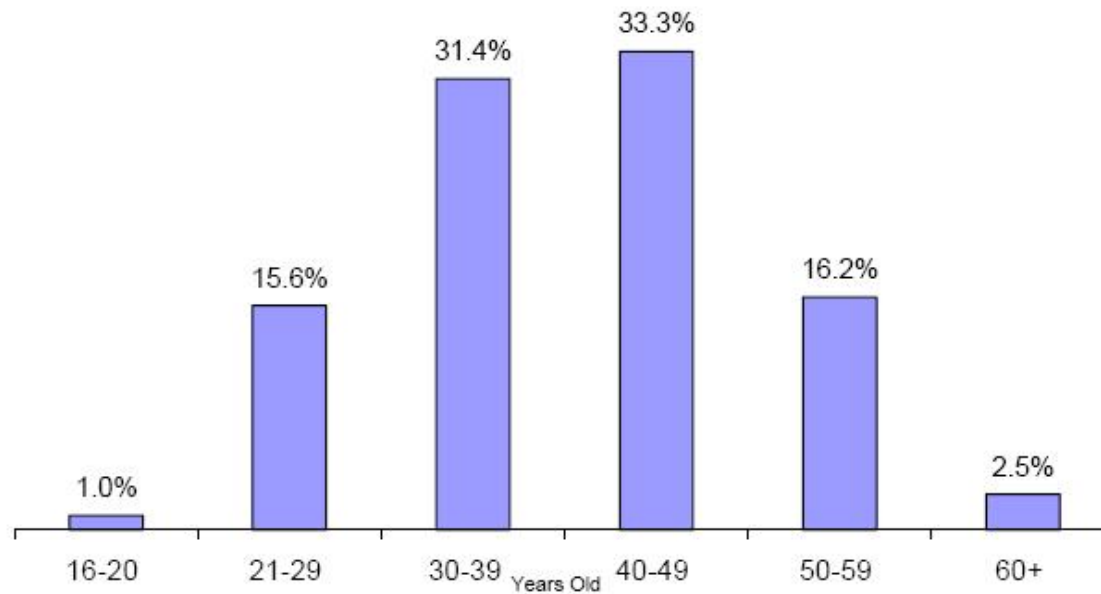
Offering an HSA

- Most banks will find that minor adjustments to their core banking or IRA system will get them in the business.
- According to the U.S. Treasury, banks and credit unions are automatically approved to offer HSAs to their customers as either a trust or a custodial account.
- Banks or credit unions can modify their existing IRA enrollment forms to reflect HSAs, or use the model IRS forms.
- Minimum deposit, min. balance requirements, min. distribution requirements, distribution timing requirements, and account fees can be set by the trustee/custodian.

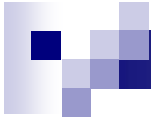
Who Purchases an HSA?

Buyer Demographics of HSA-eligible Plans

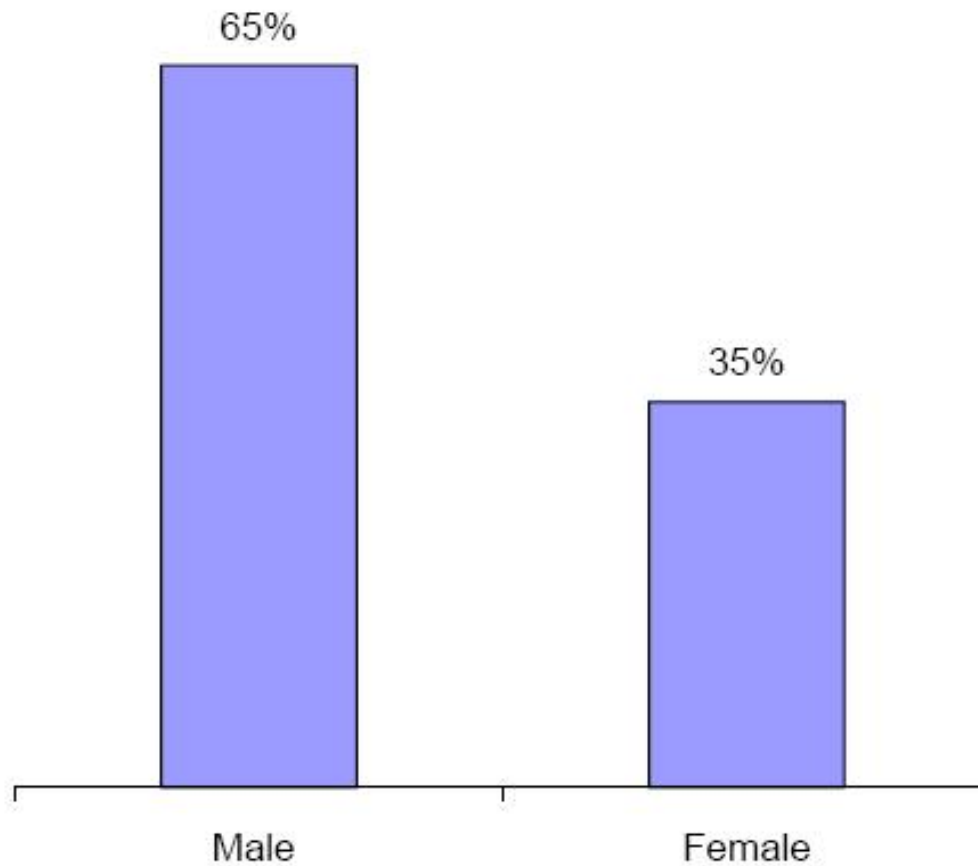
Age of HSA-eligible Plan Purchasers:
52% are 40 Years Old and Above



**demographics provided by ehealthinsurance, Inc.*



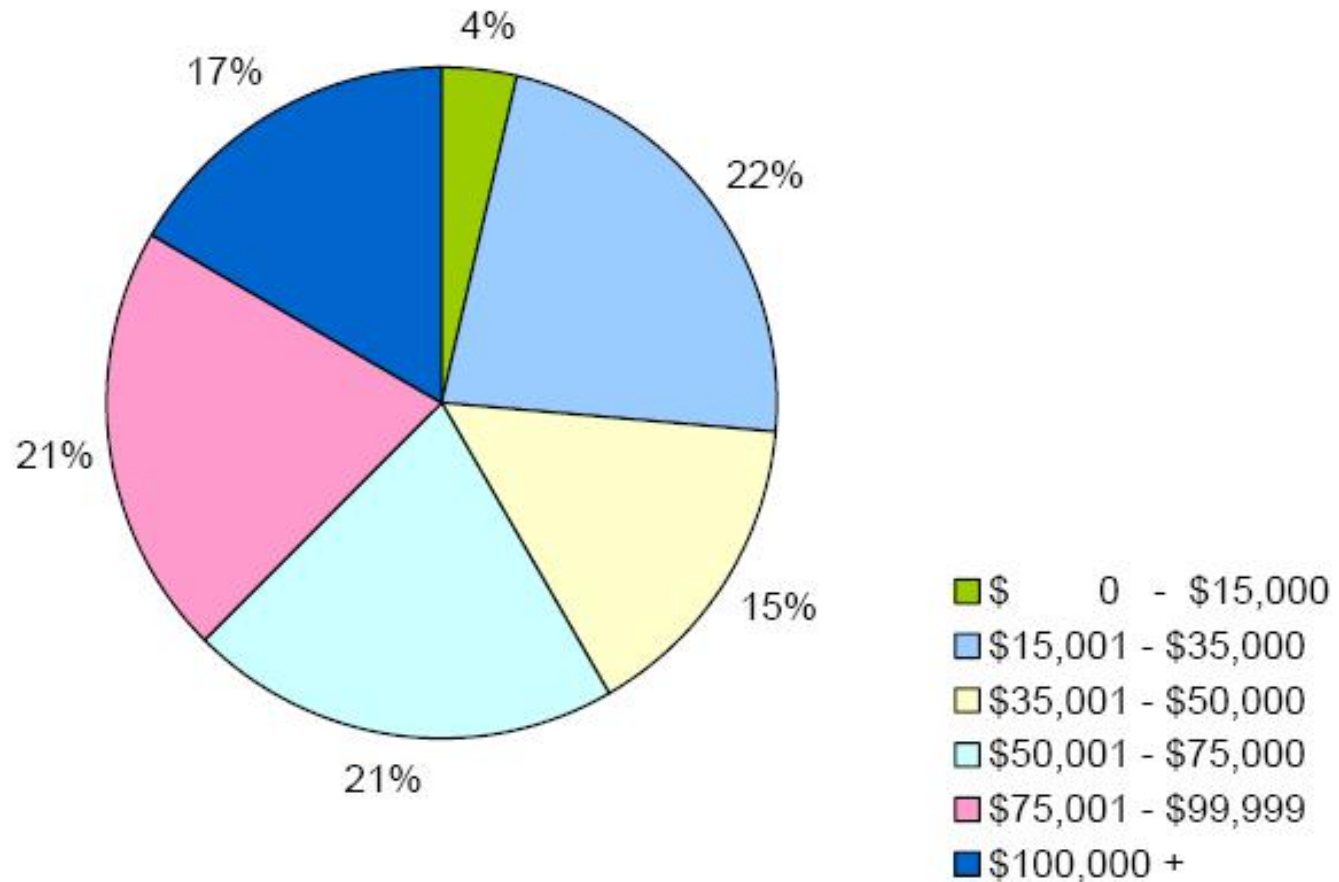
**Gender of HSA-eligible Plan Purchasers:
More than Two-Thirds of Primary Applicants for HSA-Eligible Plans are Male**



**demographics provided by ehealthinsurance, Inc.*

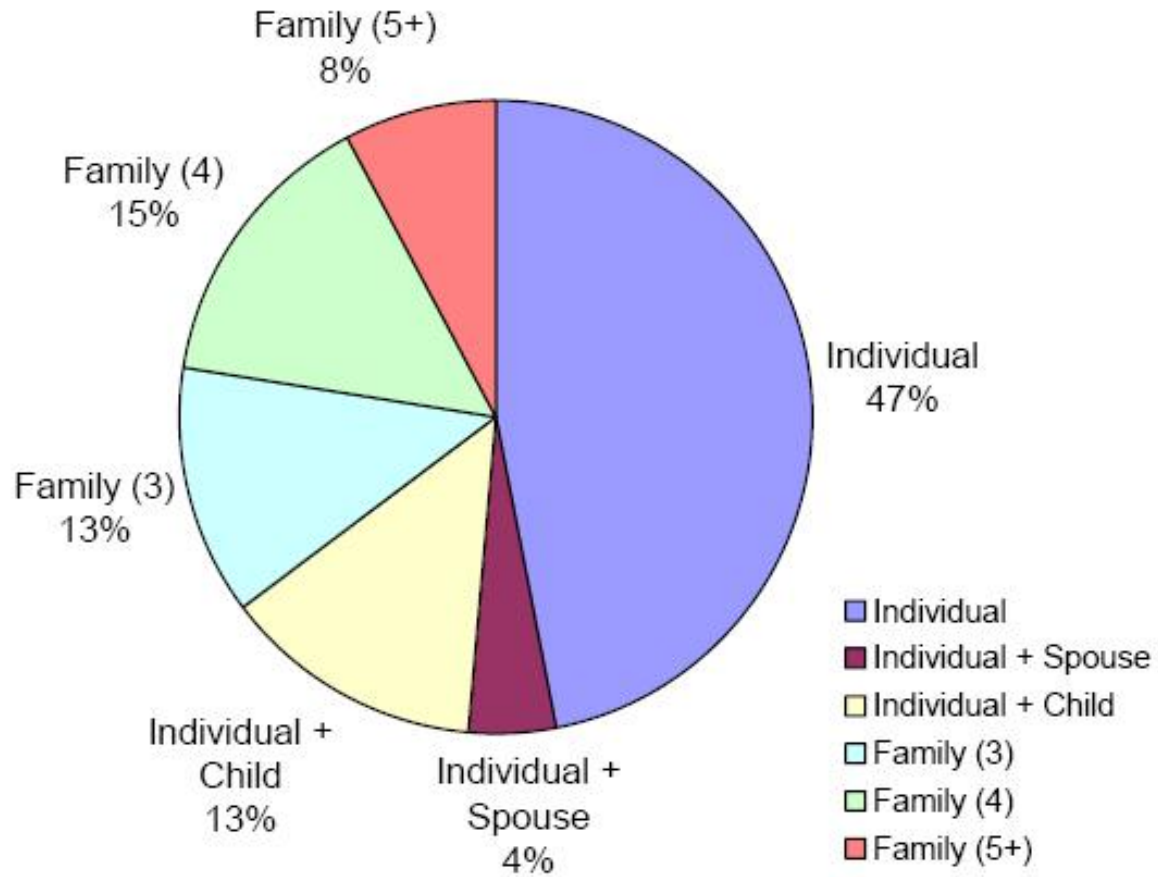


**HSA-eligible Plans by Level of Income:
41% of Plans are Purchased by People with Incomes of \$50,000 or Below**



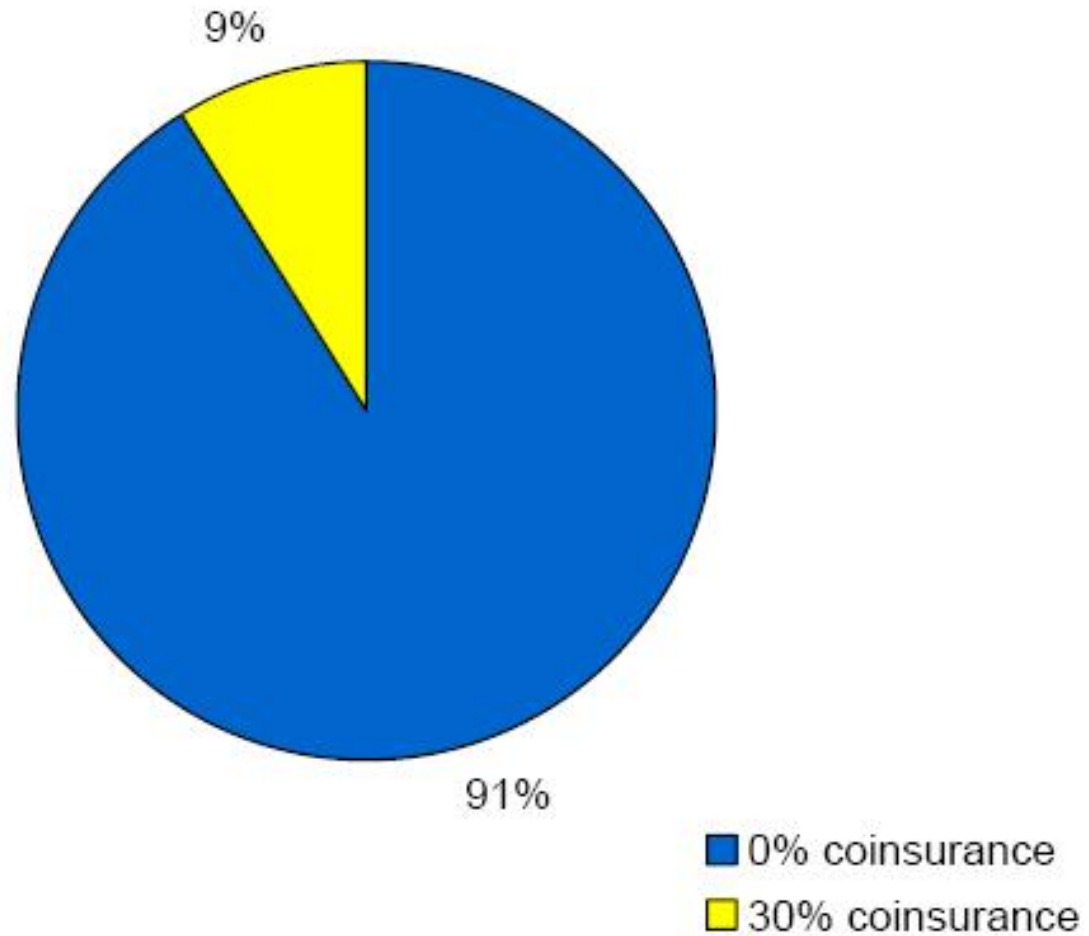
**demographics provided by ehealthinsurance, Inc.*

**Size of Families with HSA-eligible Plans:
49% of Purchasers are Families with Children**



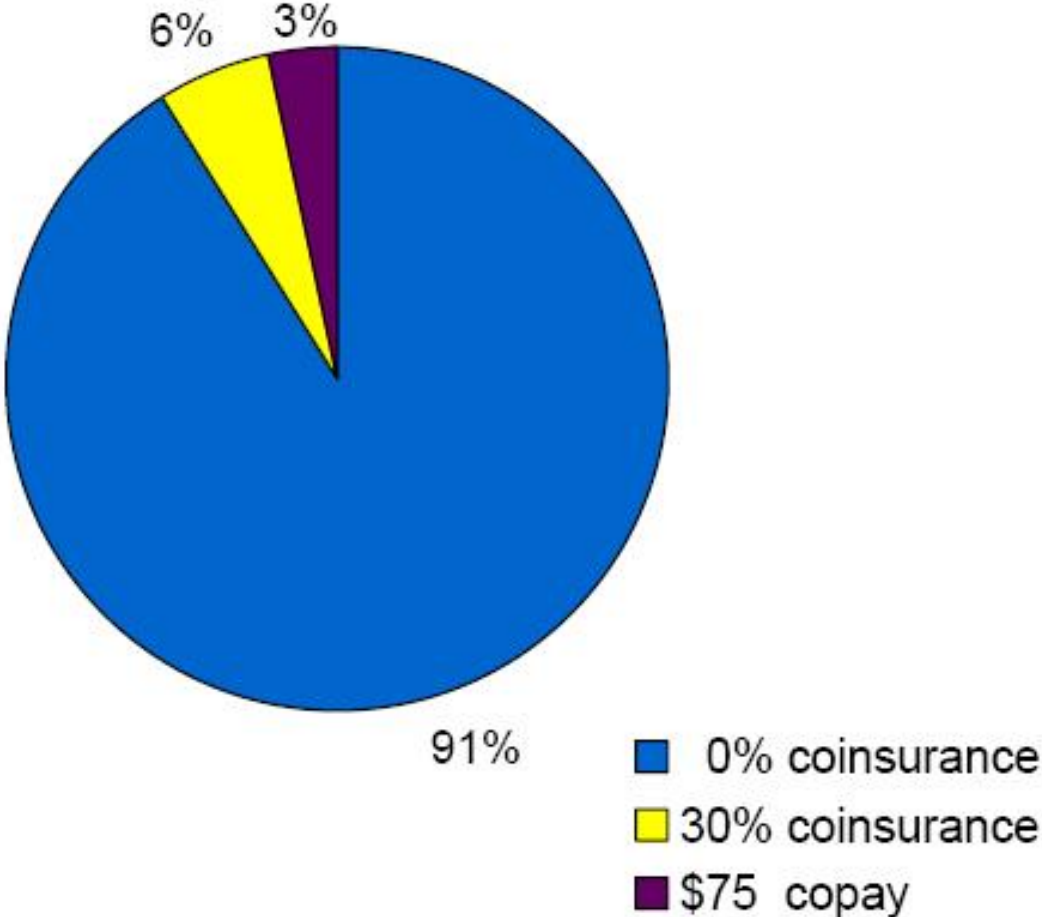
**demographics provided by ehealthinsurance, Inc.*

91% of HSA-eligible Plans Require 0% Coinsurance for Office Visits, Surgery, Hospitalization and Lab/X-Ray**



**demographics provided by ehealthinsurance, Inc.*

91% of HSA-eligible Plans Require 0% Coinsurance for
Emergency Room Services**



**demographics provided by ehealthinsurance, Inc.*



**HSA-eligible Health Insurance Plan Premiums:
Nearly 55% of Buyers are Paying \$100 or Less Per Month**

\$50 or Less	9.1%
\$51 – 100	45.8%
\$101 – 200	33.9%
\$201 – 300	8.0%
\$301 – 400	2.5%
\$401 – 500	0.5%
Greater than \$500	0.2%

Premiums Per Member Per Month

**demographics provided by ehealthinsurance, Inc.*



**Percentage of Previously Uninsured HSA-eligible Plan Purchasers by Level of Income:
More HSA-eligible Plan Purchasers at Lower Income Levels Were Uninsured**

Income Level	% Previously Uninsured
\$0- \$15,000	44.1%
\$15,001 - \$35,000	17.3%
\$35,001 - \$50,000	46.9%
\$50,001 - \$75,000	37.1%
\$75,001 - \$99,999	25.0%
\$100,000 +	27.4%


30.2% of HSA-eligible plan purchasers were previously uninsured


**demographics provided by ehealthinsurance, Inc.*




The Future of Health Savings Accounts

- By 2010, more than 15 million Americans, or about 10 percent of all those insured, will have a health savings account, according to an estimate by DiamondCluster International, a management consulting firm.
- DiamondCluster International also estimates that the average individual's account balance, it projects, will grow from \$1,500 today to about \$3,500 in 2010. Even if people pull out some or all of their money to pay their medical bills, the ballooning balances may mean that \$75 billion or so in new money to manage will soon be at stake.

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- “Not since the creation of the individual retirement account in the mid-1970's has such a potentially huge mountain of money landed in the lap of the financial services industry.” (Eric Dash of the New York Times)
 - "Billions of dollars that used to be written in the form of checks with insurance companies' names on them would instead go to credit unions, banks, and long-term investment houses," said Dan Perrin, the publisher of H.S.A. Insider and executive director of the H.S.A. Coalition.

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- Insurers and banks...estimate that **\$94 billion** will be tucked away in HSAs by 2010, according to “A Fix for Health Care?”.
 - According to Information Strategies, an HSA research company and advisor based in Fort Lee, N.J., the number of accounts is likely to triple this year with the savings portion growing to \$5.1 billion. By the end of the decade there will be nearly 24 million HSA insured in the U.S. with medical savings of **\$94 billion**.


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- “Competition for HSA assets will tighten as national firms, small community banks, and local credit unions launch their own products,” according to Inside Consumer-Directed Care. “In time, large health insurers may also launch their own financial firms, or acquire existing institutions to capture a greater share of the burgeoning HSA market.”



Why Choose Best Value Insurance Agency, Inc?

- Best Value focuses on researching the most up to date trends in the industry to keep our clients and agents with the best possible options available. We have a proven sales system and offer back office support, high level contracts, and the top carriers in the state.



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- Work with the most experienced agents in the state – with the resources and knowledge to help you set up your HSA program.
 - Best Value already has a system in place to market with banks and independent agents – saving you time, money, and numerous headaches.
 - We educate our clients and offer objective advice to form business relationships.





Any questions?

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