

Harvard Pilgrim and HR Concepts

HRA and FSA solutions that are worth a closer look

The news always seems to be the same: Health care costs just keep going up. If you're ready to take a step toward reducing your yearly medical expenses and giving employees greater involvement in their health care decision-making and cost-sharing, Harvard Pilgrim and HR Concepts can help. Together we'll bring you best-in-class financial solutions that will:

- ✓ reduce your plan-sponsored medical expenses
- ✓ give employees more ownership of their health care spending and help them manage it wisely
- ✓ get employees involved and engaged in health care decision making
- ✓ help employees become better health care consumers
- ✓ give employees a tax-advantaged way to save money



Harvard Pilgrim
HealthCare



Harvard Pilgrim
HealthCare of New England

This information refers to products and services offered by Harvard Pilgrim Health Care and its affiliates, including Harvard Pilgrim Health Care of New England and HPHC Insurance Company.

Here's a look at the solutions Harvard Pilgrim and HR Concepts offer:



Health reimbursement arrangement (HRA)

An HRA is an account that you fund for your employees. Together with one of Harvard Pilgrim's Best Buy plans (with a deductible of \$1,000 or more), it's an attractive way to introduce health plan deductibles. Employees have a way to offset out-of-pocket expenses while you can achieve savings on health plan premium costs. (Savings will vary depending on the Best Buy plan design you select.)

► Flexible design options

When you offer employees an HRA, you decide:

- How much to contribute
- Whether employees can roll over unused amounts into the next plan year, and how much
- Which account pays for expenses first (when you offer both an HRA and an FSA)

► Why offer an HRA?

- You're in control: Your HRA contributions can be used only for eligible expenses.
- Consumer Directed Health Care made easy: Lower your trend and ease your employees' transition to consumer directed health care by offering an HRA with a familiar deductible plan like the Best Buy HMO or Best Buy PPO.
- Employer savings: You make payments only when employees incur claims for eligible expenses.



Flexible spending account (FSA)

When you choose an HRA, you can offer your employees a flexible spending account as well. An FSA allows employees to set aside pre-tax money by way of payroll deduction to help pay for eligible out-of-pocket expenses. FSAs may be established to pay for health care expenses (e.g., deductibles, coinsurance and copayments) and dependent care expenses (e.g., day care, preschool, before- and after-school programs and summer day camp).

We can also provide you and your employees with a Limited Purpose Health FSA. If you offer a health savings account (HSA), your employees can enroll in this product, which reimburses dental, vision and preventive care expenses only and keeps participating employees HSA-eligible.

► Why offer an FSA with an HRA?

- Back up the HRA: Employees can use the FSA to pay for deductible expenses after their HRA funds are exhausted.
- More than medical: FSA funds can pay for dental expenses, orthodontia, acupuncture, chiropractic and more.



At a glance: HRAs and FSAs

	HRA	FSA
<i>Who funds?</i>	Employer only	Employee (pre-tax payroll deduction); Employer can
<i>Can employees roll over funds into the next year?</i>	Employer option	No
<i>Which products are available with this option?</i>	Best Buy HMO, POS or PPO with deductibles of \$1,000 or more	Any Harvard Pilgrim plan, or another carrier's product as long as a Harvard Pilgrim plan is available to employees
<i>Can it be used for long-term savings?</i>	Employer option	No. FSA funds are forfeited at the end of the year.



See how you can save!

Here's an example showing how much you can save in three years with a Best Buy plan plus HRA over a traditional product.

Assumptions:

- Traditional and Best Buy plan examples are based on HMO plans
- The Best Buy plan in the example has a \$1,000 deductible
- Initial Best Buy premium is 14% lower than traditional plan
- Best Buy premium increases are 12% in Year 2 and Year 3, vs. 13% both years with the traditional plan
- Annual HRA allocation of \$500 for individuals and \$1,000 for families
- Annual HRA cash payout of 50% of potential liability

	Traditional Plan	Best Buy	Savings
Annual individual premium (46 Employees)	\$5,600	\$4,400	
Annual family premium (54 Employees)	\$15,000	\$12,000	
YEAR 1			
Premium	\$1,067,600	\$850,400	
HRA administration cost*		5,200	
Likely HRA payout (50%)		38,500	
Total annual cost	\$1,067,600	\$894,100	\$173,500 (16.3%)
YEAR 2			
Premium	\$1,202,200	\$943,900	
HRA administration cost		5,200	
Likely HRA payout		38,500	
Total annual cost	\$1,202,200	\$987,600	\$214,600 (17.9%)
YEAR 3			
Premium	\$1,358,500	\$1,047,700	
HRA administration cost		5,200	
Likely HRA payout		38,500	
Total annual cost	\$1,358,500	\$1,091,400	\$267,100 (19.7%)
Total three-year costs	\$3,628,300	\$2,973,100	\$655,200 (18.1%)

This example is for illustrative purposes only. Your actual cost savings may vary. Please contact your broker or Harvard Pilgrim account executive for more information.

* Based on a per-participant-per-month fee and an annual fee.

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“ When I recommend a TPA to a client, I'm putting my reputation on the line. It's with complete confidence that I suggest HR Concepts to any of my accounts interested in an HRA or FSA approach. We have worked together successfully for several years now, and I have yet to hear a negative comment from any of my clients. Claims are paid quickly and questions are answered timely and completely. ”

**- Ellen Kaplan
President
Ellen Kaplan Group
Health Specialists**

About HR Concepts

Harvard Pilgrim has partnered with Bedford, N.H.-based HR Concepts, one of the region's largest administrators of reimbursement programs. Our mutual goal is to bring you best-in-class HRA and FSA administration, easy-to-use financial tools, convenient reimbursement options and outstanding customer service. We will work together to assist you in successfully implementing and managing your HRA or FSA program.

“ HR Concepts is our preferred partner for health care account administration. They serve more than 60 of our clients because we share common values—the biggest of which is exceptional client service. Our clients are very satisfied with HR Concepts' service and appreciate the 'sense of urgency' they display when an issue arises, though very few ever do. Moreover, the state-of-the-art debit card technology HR Concepts employs makes a routine transaction routine, instead of complicated or worse, frustrating. Their technology and acute focus on solving issues promptly and professionally sets HR Concepts apart from its competition. ”

**- Mark S. Gaunya
Principal
Borislow Insurance**

**Learn more! For details, contact your broker or
Harvard Pilgrim account executive at (800) 848-9995**

