

# Spending accounts

## Increase your savings and empower your employees

Employees who choose High Deductible PPO plans (HDHP) – which feature lower premiums and higher deductibles, and focus on prevention and education – are more likely than members of other health plans to choose lower cost care options, such as generics versus brand drugs, and to take better care of their health.\* Pairing our Blue Solutions HDHPs with a Health Reimbursement Account (HRA) or Health Savings Account (HSA) helps you and your employees save on overall health care costs.

### Lower your costs and take advantage of tax savings

HDHPs give you flexible options when you're looking to lower health care costs and want to offer your employees top-quality health coverage. When combined with an HDHP, HRAs or HSAs help you:

- **Save on overall health care costs.** HDHPs cost you less because employees take on more cost-sharing, which can be offset with a tax-advantaged health spending account.
- **Save on taxes.** You receive Federal Insurance Contributions Act (FICA) and Federal Unemployment Tax Act (FUTA) tax savings on salary reductions when you and your employees contribute to health spending accounts.
- **Empower employees to become savvy consumers.** Employees play a greater role in managing their health care purchases and using covered services appropriately.

### Manage your spending accounts with ease

Managing the administration process of your spending accounts is quicker and easier because you have access to:

- a streamlined enrollment process for simultaneous opening of medical and spending accounts;
- online features that simplify group enrollment;
- robust, real-time reporting;
- seamless billing through a convenient eBill functionality;
- convenient funding choices for spending account contributions through payroll deduction, check, or online transfer.

### Your employees will make better decisions and have more control

HDHPs put control of health care dollars into the hands of your employees. This encourages and rewards well-informed decisions and healthy behavior. HRAs and HSAs are a convenient way for your employees to:

- lower monthly premiums;
- have more control over health care dollars;
- benefit from tax savings;
- pay for health care services that might not otherwise be covered;
- make well-informed, appropriate health care spending decisions;
- save for future care expenses.

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### Put your money to better use

When you pair an HDHP with a spending account, the dollars you save by paying a lower premium can be used to contribute to your employees' spending account. The tax-advantaged contribution offsets the higher deductible.

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Your employees can use [ibxpress.com](http://ibxpress.com) to check their account balance, claims, and expenses. Plus, they will have access to decision-support tools to compare plan options, estimate treatment costs, compare drug costs, and even create an action plan for better health.

## Comparing HRA and HSA plans

	HRA	HSA
What is it?	An employer-managed account used to pay current qualified medical expenses and save for future medical expenses.	A tax-advantaged account which is paired with a qualified high deductible health plan, to help employees save money to pay for future medical expenses on a tax-free basis.
Who funds the account?	Employer only.	Employee and/or employer, depending upon plan selected.
What are the maximum contributions?	IBC limits employer contributions to 50% of the deductible. <sup>1</sup> Contributions can be wholly available on the first day of the plan year or accrue on a regular basis.	The 2014 maximum contribution is \$3,300 for self only, \$6,550 for family. There is also an optional "catch-up" contribution of \$1,000 for individuals 55 or older. <sup>2</sup>
Who owns the account?	Employer.	Employee.
Do funds carry over?	Employer choice. Includes the ability to establish a rollover cap.	Yes, funds may roll over to use for qualified medical expenses in subsequent years.
What are the tax implications?	Employer contributions are tax deductible to the employer and generally excluded from an employee's gross income.	Contributions are generally excluded from an employee's gross income. Interest and earnings from investments are tax-free. Future withdrawals are tax-free provided they are for qualified medical expenses. Taxes and penalties apply for non qualified reimbursements.
What type of deductible does the plan have?	Embedded deductible: Each covered family member only needs to satisfy his or her individual deductible, not the entire family deductible, prior to receiving plan benefits.	Aggregate deductible: For family coverage, the entire Family Annual Deductible must be met before copayments or coinsurance is applied for any individual family member.

<sup>1</sup> There are no IRS limits on HRAs.

<sup>2</sup> The IRS sets these annual limits which are available at [irs.gov](http://irs.gov).

Contact your IBC account executive or independent broker to find out more about pairing HDHPs with an HRA or HSA.

[ibx.com/bluesolutions](http://ibx.com/bluesolutions)  
215-241-3400



Independence Blue Cross is an independent licensee of the Blue Cross and Blue Shield Association.

\*The two consumerism surveys commissioned by IBC were conducted online by DSS Research, a national research firm headquartered in Fort Worth, Tex. The Consumerism Study interviewed several thousand southeastern Pennsylvania consumers in August 2008 who were insured either by IBC or another carrier. The employer group study was conducted in November 2008 among 225 organizations in the Philadelphia area. All employers had at least 100 employees who participate in their health plans.