



Health Savings Accounts

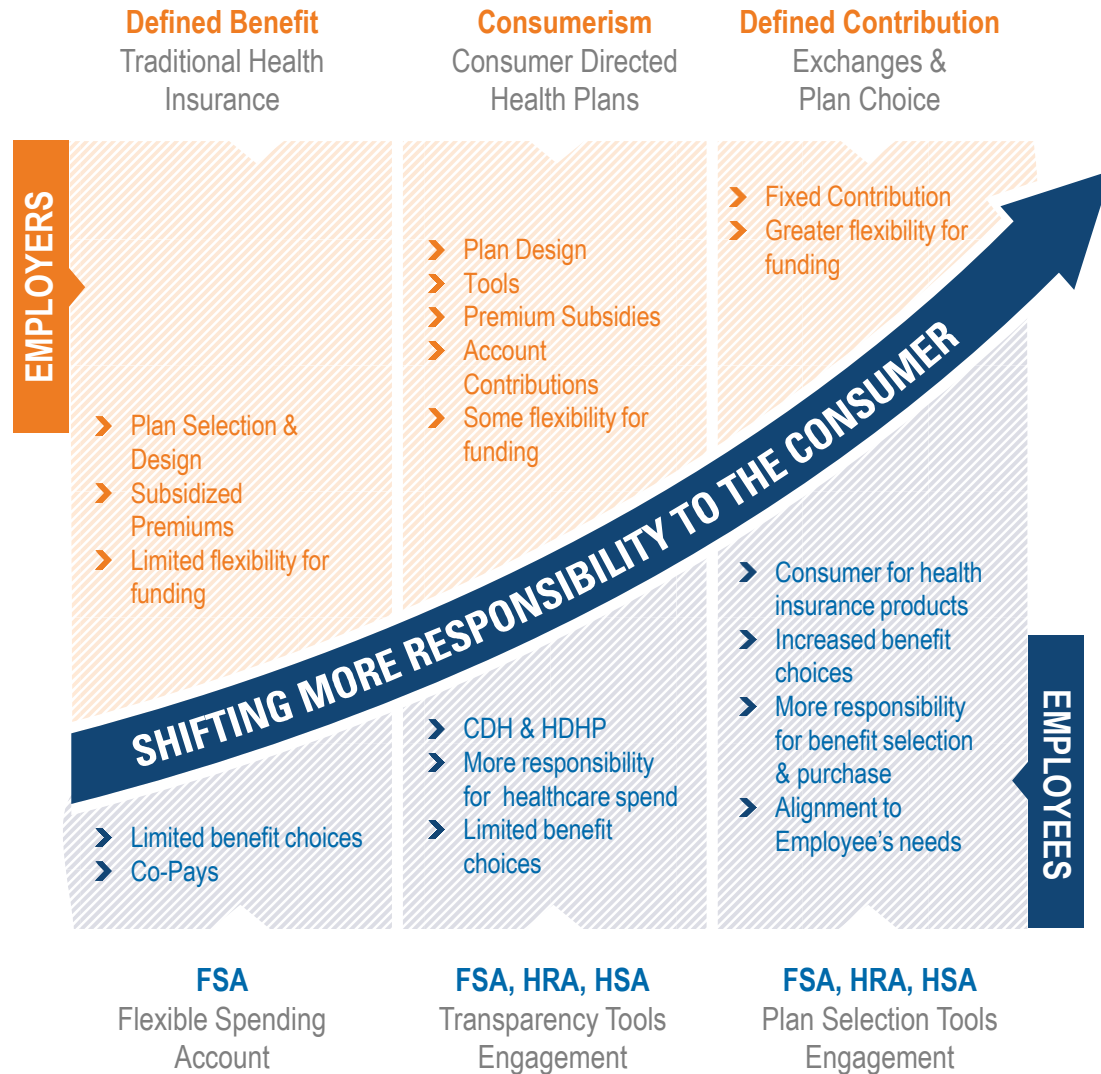
Mid Atlantic AFP Meeting- March 12, 2014



Market Forces

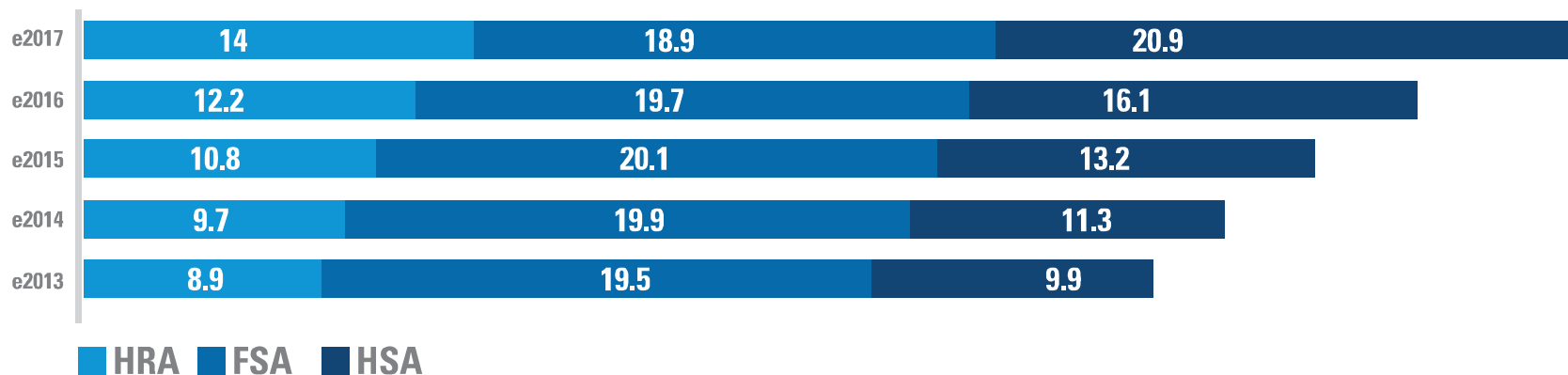
The Market Shift

The **shift**
to consumer responsibility
is creating change and
opportunity



Consumer Directed Healthcare

| | HSA | HRA | FSA |
|---------------------------|--|---|--|
| Growth Projections | <ul style="list-style-type: none"> Strongest of all benefit accounts Forecasted (CAGR) of 21% through 2017 | <ul style="list-style-type: none"> Forecasted (CAGR) 12% through 2017 Health plans and TPAs expect modest growth | <ul style="list-style-type: none"> Immediate 2014/2015 growth |
| Market Forces | <ul style="list-style-type: none"> Continued organic growth as employers push HDHPs Employers replacing stand-alone HRAs with HDHPs Exchange adoption and consumerism | <ul style="list-style-type: none"> Accelerated migration of retired employees to HRAs and defined contribution plans Employer adoption of defined contribution plans with underlying HRAs | <ul style="list-style-type: none"> Reversal of the “use it or lose it” policy presents enrollment and contribution growth |
| Risks | <ul style="list-style-type: none"> Low | <ul style="list-style-type: none"> Some stand-alone HRAs eliminated by ACA | <ul style="list-style-type: none"> Adoption of HDHPs limits FSA eligibility |



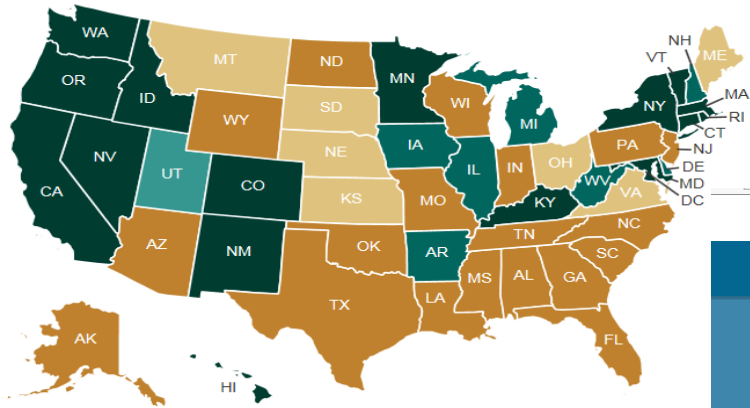
Public Exchange Market

State Action to Establish Health Insurance Marketplaces

July 2013 — Use this interactive map to review the status of state action on state health insurance marketplaces, also called exchanges, and view key aspects of state-run marketplaces.

Health Insurance Marketplace by State

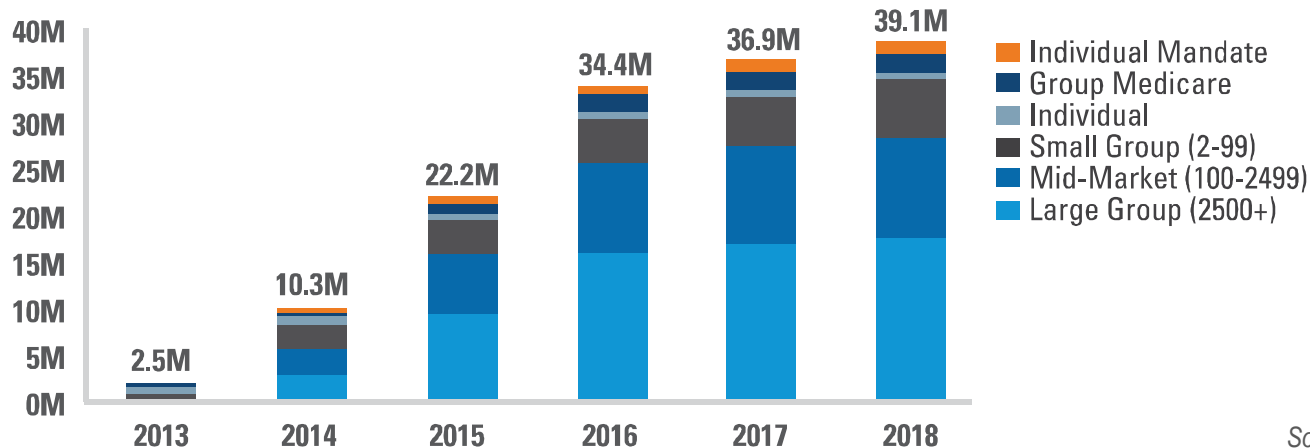
Interact with the map to discover details about state health insurance marketplaces.



Private Exchange Market

- Analysts predict private exchange enrollment will reach ~39M lives by 2018, with rapid growth expected over the next 3 years

US Private Exchange Market
of lives e2013 - e2018



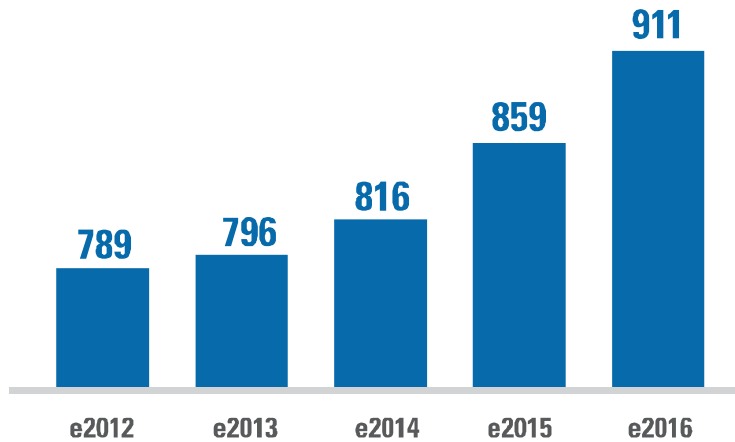
Source Oliver Wyman

Driving Force: Employers seeking to reduce overall benefit costs and create a financially predictable cost model

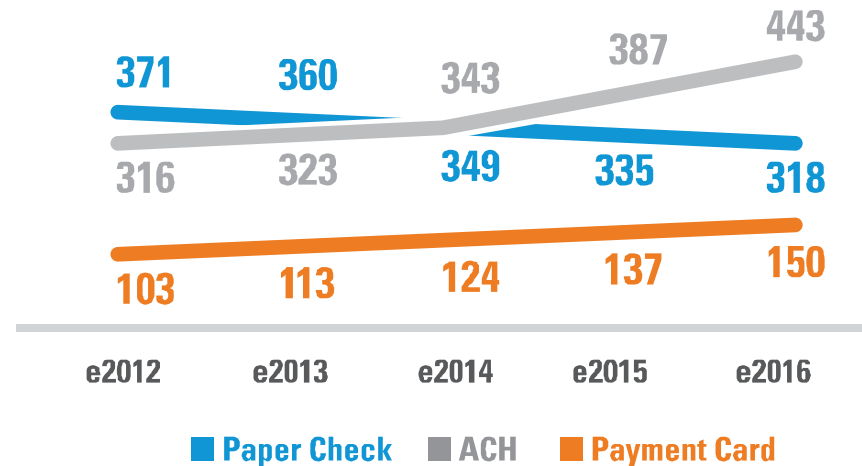
Provider Payments

- By 2016, Aite Group projects 70% of small providers will receive more than 50% of their remittance payments via EFT

Total Commercial Remittance Transactions for All Small U.S. Healthcare Providers, 2012 to e2016
(in Millions of Transactions)



Small U.S. Healthcare Commercial Remittance Transactions by Payment Type, 2012 to e2016e
(in Millions of Transactions)





HSA General Overview

Health Savings Accounts (HSA)

- **A Health Savings Account (HSA) is an account that you can contribute to tax-free if you are enrolled in a qualified High Deductible Health Plan (HDHP).**
- **The funds can be used to pay for qualified medical expenses today or can be saved for future expenses.**
- **Account Advantages**
 - ▶ *Triple tax savings*
 - ▶ *Interest and investments*
 - ▶ *Easy to access with your debit card and online account*
 - ▶ *Portable – it stays with you when you leave your company or retire*

Triple Tax Advantage

1. Contributions made tax free
2. Earns interest tax free
3. Qualified Distributions from the account are tax free

HSA Eligibility

➤ Any individual or employee can open and make contributions to an HSA, if they meet all of the following requirements:

- Covered by a qualified HDHP
- Not covered by other health insurance – (that is, has no other first dollar medical coverage)
- Not enrolled in Medicare
- Cannot be claimed as a dependent on someone else's tax return

Children cannot establish their own HSAs

Spouses can establish their own HSAs, if eligible

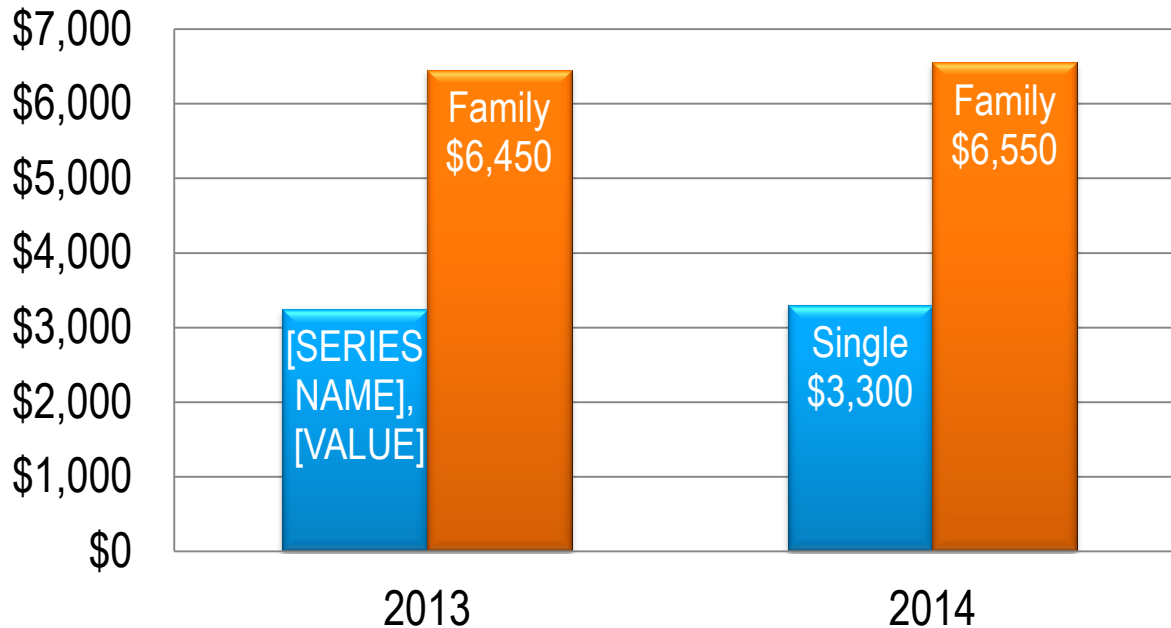


➤ No income limits on who may contribute to an HSA

➤ No requirement of having earned income or being employed

How much can one contribute?

HSA Contribution Limits

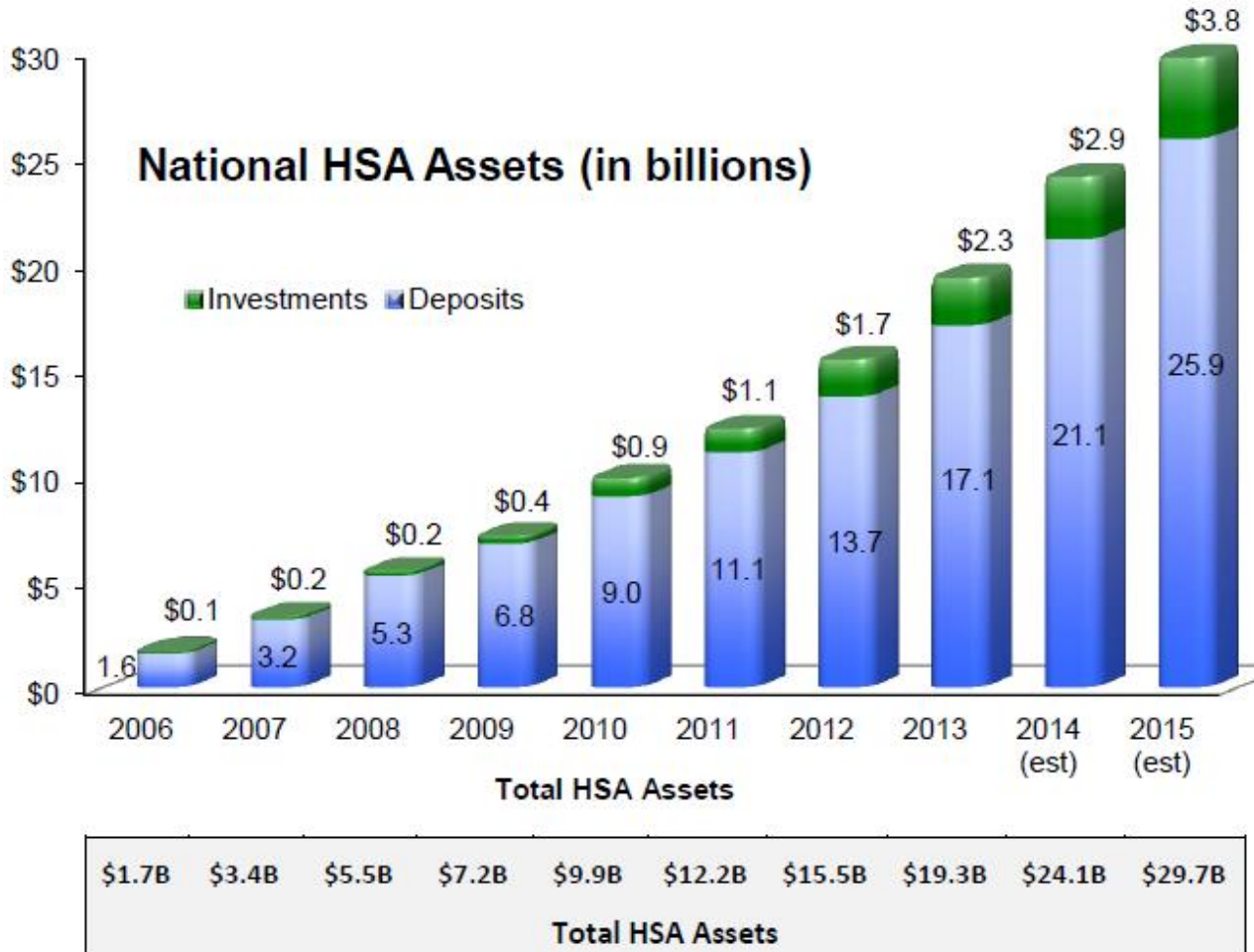


Other Limits:

- ▶ **2014 HDHP Minimum Deductibles:**
Single: \$1,250
Family: \$2,500
- ▶ **2014 HDHP Maximum Out-of-pocket:**
Single: \$6,250
Family: \$12,500

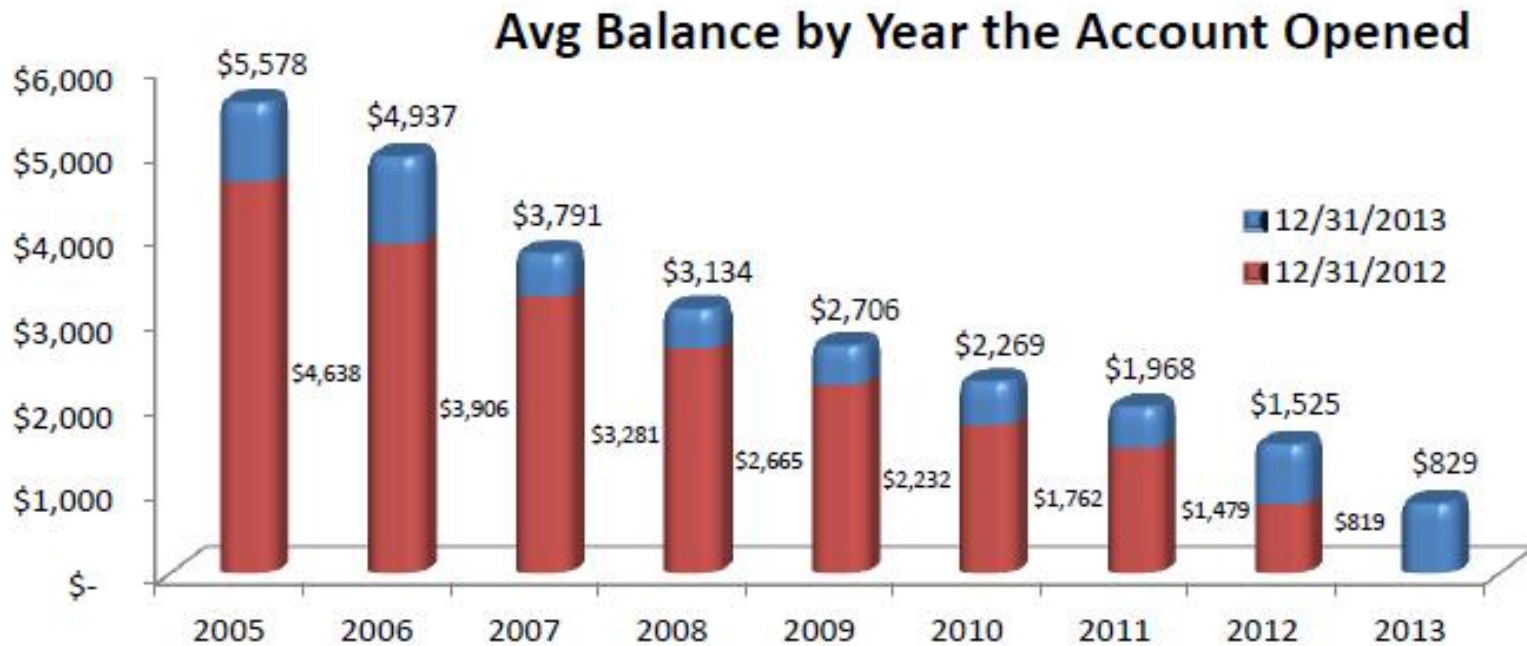
PLUS...For individuals age 55 and older, additional “catch-up” contributions of \$1,000 per calendar year is allowed.

Total HSA Assets



Source: Devenir Research.

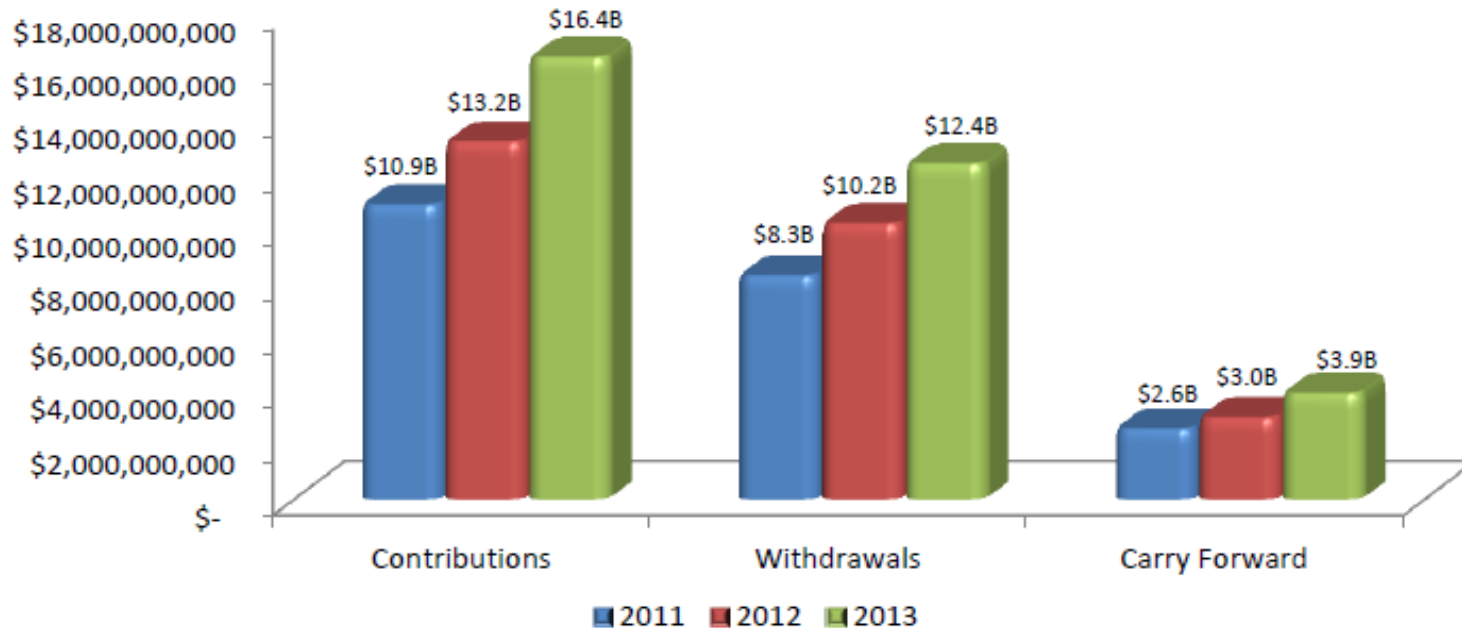
Account Balance Data



Source: Devenir Research.

Contribution & Withdrawals

Industry Contributions & Withdrawals



Source: Devenir Research.

HSA Sample Growth Opportunity

Account volume and asset projections



** Assume lower balances in earlier years as maturing accounts grow in balances*



HSA Solution Requirements

HSA Solution Services



Enrollment

- Paper Applications
- Batch data files
- E-Signature
- Private Exchange



Contributions

Employer Options:

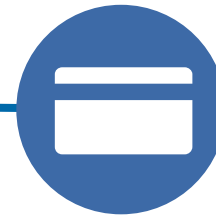
- Employer ACH
- Employer File Uploads
- Online spreadsheet entry
- Automated payroll deductions

Accountholder Contribution Options:

- Lock-box
- Online transfers

Plus, Alegeus provides:

- 5498-SA Reporting
- IRS Limit enforcement



Distributions

Accountholders can use:

- Debit Cards
- Online Bill Payment
- Healthcare claim presentment
- Checks

Plus, Accountholders receive:

- 1099-SA Reporting at end of year



Investments

Accountholders can:

- Add investment accounts online
- Setup allocation models (similar to 401k)
- Buy/sell investment funds
- Transfer money to or from their investment account at any time.
- Access online prospectuses
- Monitor HSA balance minimum to invest

Interest Plans & Service Charge flexibility, HSA Code updating, and Reassociation



Questions/Discussion



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