

## How to Save Medical Insurance Costs in 2022

Open enrollment for 2022 is upon us and rates have increased once again. We have a great opportunity to lower those costs and provide the same coverage for our employees. **How?**

**By choosing the High Deductible plan (CDHP 20) AND agreeing to cover up to the out-of-pocket maximum, your church and your employees will save money and retain the same coverage.**

**Remember – all the plans cover the same things and the network providers are the same regardless of the level one chooses.** The difference between them is how the cost is paid for. Here is how it works. But first let's deal with a couple of scary terms: High Deductible and Out of Pocket Maximum. Medical insurance rates depend on the deductible (the amount the employee has to pay before insurance pays anything) and the out-of-pocket maximum (the amount above which insurance pays 100% of the cost). The higher the deductible and out of pocket maximum, the lower the premium. This is because the employee bears the risk of the deductible and out of pocket maximum. But in this approach the church is bearing that risk.

### How It Works

If we use a comparison of PPO 100 and CDHP 20, we can see the relationship between the plans and how to save substantial cost. (See the 2022 PPO – High Deductible Comparison Chart) The annual cost of the PPO 100 family plan for 2022 is \$44,352. The annual premium for the CDHP 20 family plan is \$27,924. The out-of-pocket maximum is \$8,450. If your church agrees to cover up to the out-of-pocket maximum, the maximum cost that could be incurred would be the CDHP premium plus the out-of-pocket maximum. The total is \$36,374 which is \$7,978 less than the premium for PPO 100. Thus, there will always be a savings to use CDHP 20 and an out-of-pocket coverage approach over PPO 100. Because people often do not incur medical costs at the out-of-pocket maximum level, the savings are likely to be even greater. We suggest an estimate of 50% of out-of-pocket maximum will be incurred for a group of employees. In the PPO 100 family plan example this would save \$12,203.

You can see the same calculations for the Individual and Plus 1 levels. In all cases there is a savings for the church and the employee.

The employee will not incur copays or coinsurance under this approach. If the employee pays a portion of the premium, then they will also save because the premium will be lower.

When we compare PPO 80 with CDHP 20 we see that there are savings for each level at the 50% level of incurred out of pocket expense. However, the maximum cost for an individual or Plus 1 could exceed the cost of PPO 80. But incurring the out-of-pocket maximum is unlikely over time. Why is that?

### Incurring the Out-of-Pocket Maximum

The out-of-pocket maximum is made up of the deductible (the employee pays 100%) and the coinsurance (the employee pays 20%). The chart below shows that in order to reach the out-of-pocket maximum a family would have to incur over \$20,000 in medical expenses. To do this there would have to be surgery, hospitalization for a serious illness, or extensive diagnostic tests. Although a family or an employee may have these unfortunate events, it is highly unlikely that a group of people will all reach

the out-of-pocket maximum in a given year. Accordingly, it is highly likely that the church will save money but not compromise the benefit to the employee.

## Reaching the Out of Pocket Maximum – Family & Plus 1

- First \$5,450 is paid by you and reimbursed by the church
- You pay 20% of the next \$15,000 which is reimbursed by the church
- When you reach \$8,450 out of pocket, insurance pays 100%

	Cost Incurred	Gross Billing
Deductible	\$5,450	\$5,450
Coinsurance @ 20%	\$3,000	\$15,000
Out of Pocket Maximum	\$8,450	\$20,450

### How Does Your Church Cover the Out of Pocket Expenses?

In order for the church to cover the out-of-pocket expense as a nontaxable benefit, the church establishes a Health Reimbursement Arrangement (HRA) with a Third Party Administrator (TPA). The TPA issues a debit card to each enrolled employee that can be used to pay for prescriptions or other medical costs that are covered by the medical plan. The TPA pays the provider and charges the church. The employee can also submit their Explanation of Benefits (EOB) through the TPA portal and receive payment by direct deposit. The TPA charges the church. Reimbursement occurs with a week of filing with the TPA. The TPA drafts the church bank account so there is no billing and check issuance.

The TPA is HIPPA compliant. Church personnel do not have access to the details of the medical costs. The church receives a report that shows the amounts charged and for whom in order to post the church accounting records.

DIOSOVA uses Beneflex as its TPA for the diocesan staff. There are many to choose from. Beneflex is inexpensive. The cost is \$3 per enrollee per month plus a \$100 a year fee. There is a \$200 one time set up fee.

### Next Steps

Please review the presentation and charts that follow and consider using this approach. Contact the DIOSOVA Treasurer, John Fogarty, with questions. [john.fogarty.diosovatreasurer@gmail.com](mailto:john.fogarty.diosovatreasurer@gmail.com)

## PPO Plan vs. High Deductible Plan Comparison Chart for 2022

	PPO 100 2022 premium	CDHP 20 Maximum Cost	With 50% Out of Pocket Cost	CDHP 20 Minimum Cost	PPO 80 2022 premium	CDHP 20 Maximum Cost	With 50% Out of Pocket Cost	CDHP 20 Minimum Cost	PPO 70 2022 premium	CDHP 20 Maximum Cost	With 50% Out of Pocket Cost	CDHP 20 Minimum Cost
<b>Single</b>												
Premium	\$ 15,840	\$ 9,972	\$ 9,972	\$ 9,972	\$ 13,056	\$ 9,972	\$ 9,972	\$ 9,972	\$ 11,340	\$ 9,972	\$ 9,972	\$ 9,972
Out of Pocket		\$ 4,200	\$ 2,100	\$ -		\$ 4,200	\$ 2,100	\$ -		\$ 4,200	\$ 2,100	\$ -
Total	<u>\$ 15,840</u>	<u>\$ 14,172</u>	<u>\$ 12,072</u>	<u>\$ 9,972</u>	<u>\$ 13,056</u>	<u>\$ 14,172</u>	<u>\$ 12,072</u>	<u>\$ 9,972</u>	<u>\$ 11,340</u>	<u>\$ 14,172</u>	<u>\$ 12,072</u>	<u>\$ 9,972</u>
Potential Savings		\$ 1,668	\$ 3,768	\$ 5,868		\$ (1,116)	\$ 984	\$ 3,084		\$ (2,832)	\$ (732)	\$ 1,368

	PPO 100 2022 premium	CDHP 20 Maximum Cost	With 50% Out of Pocket Cost	CDHP 20 Minimum Cost	PPO 80 2022 premium	CDHP 20 Maximum Cost	With 50% Out of Pocket Cost	CDHP 20 Minimum Cost	PPO 70 2022 premium	CDHP 20 Maximum Cost	With 50% Out of Pocket Cost	CDHP 20 Minimum Cost
<b>Plus 1</b>												
Premium	\$ 28,512	\$ 17,952	\$ 17,952	\$ 17,952	\$ 23,496	\$ 17,952	\$ 17,952	\$ 17,952	\$ 20,412	\$ 17,952	\$ 17,952	\$ 17,952
Out of Pocket		\$ 8,450	\$ 4,225	\$ -		\$ 8,450	\$ 4,225	\$ -		\$ 8,450	\$ 4,225	\$ -
Total	<u>\$ 28,512</u>	<u>\$ 26,402</u>	<u>\$ 22,177</u>	<u>\$ 17,952</u>	<u>\$ 23,496</u>	<u>\$ 26,402</u>	<u>\$ 22,177</u>	<u>\$ 17,952</u>	<u>\$ 20,412</u>	<u>\$ 26,402</u>	<u>\$ 22,177</u>	<u>\$ 17,952</u>
Potential Savings		\$ 2,110	\$ 6,335	\$ 10,560		\$ (2,906)	\$ 1,319	\$ 5,544		\$ (5,990)	\$ (1,765)	\$ 2,460

	PPO 100 2022 premium	CDHP 20 Maximum Cost	With 50% Out of Pocket Cost	CDHP 20 Minimum Cost	PPO 80 2022 premium	CDHP 20 Maximum Cost	With 50% Out of Pocket Cost	CDHP 20 Minimum Cost	PPO 70 2022 premium	CDHP 20 Maximum Cost	With 50% Out of Pocket Cost	CDHP 20 Minimum Cost
<b>Family</b>												
Premium	\$ 44,352	\$ 27,924	\$ 27,924	\$ 27,924	\$ 36,552	\$ 27,924	\$ 27,924	\$ 27,924	\$ 31,752	\$ 27,924	\$ 27,924	\$ 27,924
Out of Pocket		\$ 8,450	\$ 4,225	\$ -		\$ 8,450	\$ 4,225	\$ -		\$ 8,450	\$ 4,225	\$ -
Total	<u>\$ 44,352</u>	<u>\$ 36,374</u>	<u>\$ 32,149</u>	<u>\$ 27,924</u>	<u>\$ 36,552</u>	<u>\$ 36,374</u>	<u>\$ 32,149</u>	<u>\$ 27,924</u>	<u>\$ 31,752</u>	<u>\$ 36,374</u>	<u>\$ 32,149</u>	<u>\$ 27,924</u>
Potential Savings		\$ 7,978	\$ 12,203	\$ 16,428		\$ 178	\$ 4,403	\$ 8,628		\$ (4,622)	\$ (397)	\$ 3,828

# 2022 Medical Benefits – Using the High Deductible Option

Discussion of Cost Saving Options

# Overview

Compare the annual premium for a PPO plan with the annual premium for the High Deductible Plan (CDHP 20) plus the out of pocket maximum for the High Deductible plan. If the High Deductible Plan plus the out of pocket maximum is less than the PPO plan, then the High Deductible Plan is the more cost effective option no matter what level of medical expenses are incurred.

Let's explore why...

# Scary Terms

- Out of Pocket Maximum and Deductible
  - The deductible is the amount that the employee pays 100% before medical insurance benefits begin.
  - The out of pocket maximum is the maximum amount that the employee pays before medical insurance pays 100% of the covered costs. The out of pocket maximum includes the deductible plus 20% coinsurance. Once costs exceed the deductible, the employee pays 20% up to the out of pocket maximum.
- High Deductible – Medical insurance premiums depends on the amount of the deductible and out of pocket maximum. The higher the deductible and out of pocket maximum, the lower the premium. This is because the employee bears more of the cost under a high deductible plan. This is the key to how to reduce cost without reducing the benefit to our employees.

# How to Capture the Savings

The Parish establishes a Health Reimbursement Arrangement (HRA) and agrees to fund up to the out of pocket maximum for the selected plan for each employee who chooses the High Deductible Plan (CDHP 20).

The HRA will cover the employee's incurred covered medical charges up to the out of pocket maximum, after which, the medical insurance pays 100% of the covered cost.

# Comparison of PPO 100 & High Deductible Plan

- Plan coverages are the same
- Difference is how they are paid for
- Savings are substantial
- PPO 100 requires employee to pay \$30 or \$45 copays. Hospital copays are \$200 and \$250. Under the High Deductible plan the deductible and copays would be reimbursed through the Health Reimbursement Arrangement
- Reimbursements would be handled by a TPA (Third Party Administrator)
- Employee would either use their HRA debit card or submit their EOB to the TPA. The TPA would reimburse the employee by direct deposit.
- TPA would draft Church account for payment
- There is no tax consequence to the employee
- Administrative fee is \$100 per year plus \$3 per month per enrollee. There is a one time set up fee of \$200



# Comparison of PPO 100 & High Deductible Plan

	<b>PPO 100 Individual</b>	<b>CDHP 20 Minimum Savings</b>	<b>CDHP 20 Maximum Savings</b>	<b>PPO 100 Family</b>	<b>CDHP 20 Minimum Savings</b>	<b>CDHP 20 Maximum Savings</b>	<b>PPO 100 Plus 1</b>	<b>CDHP 20 Minimum Savings</b>	<b>CDHP 20 Maximum Savings</b>
Annual Premium	\$15,840	\$9,972	\$9,972	\$44,352	\$27,924	\$27,924	\$28,512	\$17,952	\$17,952
Reimbursement	\$0	\$4,200	\$0	\$0	\$8,450	\$0	\$0	\$8,450	\$0
Total Cost	\$15,840	\$14,172	\$9,972	\$44,352	\$36,374	\$27,924	\$28,512	\$26,402	\$17,952
Savings per enrollee		\$1,688	\$5,868		\$7,978	\$16,428		\$2,110	\$10,560
Estimated Savings per enrollee @ 50% of Out of Pocket Maximum	\$3,768			\$12,203			\$6,335		

# Reaching the out of Pocket Maximum - Individual

- First \$2,800 is paid by you and reimbursed by the church
- You pay 20% of the next \$7,000 which is reimbursed by the church
- When you reach \$4,200 out of pocket, insurance pays 100%

	<b>Cost Incurred</b>	<b>Gross Billing</b>
Deductible	\$2,800	\$2,800
Coinsurance @ 20%	\$1,400	\$7,000
Out of Pocket Maximum	\$4,200	\$9,800

# Reaching the Out of Pocket Maximum – Family & Plus 1

- First \$5,450 is paid by you and reimbursed by the church
- You pay 20% of the next \$15,000 which is reimbursed by the church
- When you reach \$8,450 out of pocket, insurance pays 100%

	<b>Cost Incurred</b>	<b>Gross Billing</b>
Deductible	\$5,450	\$5,450
Coinsurance @ 20%	\$3,000	\$15,000
Out of Pocket Maximum	\$8,450	\$20,450

# Comparison of PPO 80 & High Deductible Plan

	<b>PPO 80 Individual</b>	<b>CDHP 20 Minimum Savings</b>	<b>CDHP 20 Maximum Savings</b>	<b>PPO 80 Family</b>	<b>CDHP 20 Minimum Savings</b>	<b>CDHP 20 Maximum Savings</b>	<b>PPO 80 Plus 1</b>	<b>CDHP 20 Minimum Savings</b>	<b>CDHP 20 Maximum Savings</b>
Annual Premium	\$13,056	\$9,972	\$9,972	\$36,552	\$27,924	\$27,494	\$23,496	\$17,952	\$17,952
Reimbursement	\$0	\$4,200	\$0	\$0	\$8,450	\$0	\$0	\$8,450	\$0
Total Cost	\$13,056	\$14,172	\$9,972	\$36,552	\$36,374	\$27,494	\$23,496	\$26,402	\$17,952
Savings per enrollee		\$(1,116)	\$3,084		\$ 178	\$8,628		\$(2,906)	\$5,544
Estimated Savings per enrollee @ 50% of Out of Pocket Maximum	\$ 984			\$4,403			\$1,319		

# Next Steps

- Talk it over with your vestry and employees
- Discuss questions and issues with John Fogarty, DIOSOVA Treasurer
- John may be reached at [John.Fogarty.DIOSOVATreasurer@gmail.com](mailto:John.Fogarty.DIOSOVATreasurer@gmail.com)

## PPO Plan Comparison Chart Using an HRA for 2022

	PPO 100	PPO 100	PPO 70	PPO 70	PPO 70		PPO 80	PPO 80	PPO 70	PPO 70	PPO 70		PPO 70	PPO 70
	2022 premium	Maximum Out of Pocket	Maximum Out of Pocket Cost Difference	50% of Maximum Out of Pocket Cost Difference	Minimum Cost		2022 premium	Maximum Out of Pocket	Maximum Out of Pocket Cost Difference	50% of Maximum Out of Pocket Cost Difference	Minimum Cost		2022 premium	Maximum Out of Pocket
<b>Individual</b>														
Premium	\$ 15,840		\$ 11,340	\$ 11,340	\$ 11,340		\$ 13,056		\$ 11,340	\$ 11,340	\$ 11,340		\$ 11,340	
Out of Pocket		\$ 2,000	\$ 3,000	\$ 1,500	\$ -			\$ 3,500	\$ 1,500	\$ 750	\$ -			\$ 5,000
Total	\$ 15,840		\$ 14,340	\$ 12,840	\$ 11,340		\$ 13,056		\$ 12,840	\$ 12,090	\$ 11,340		\$ 11,340	
Potential Savings			\$ 1,500	\$ 3,000	\$ 4,500				\$ 216	\$ 966	\$ 1,716			
<b>Plus 1</b>														
Premium	\$ 28,512		\$ 20,412	\$ 20,412	\$ 20,412		\$ 23,496		\$ 20,412	\$ 20,412	\$ 20,412		\$ 20,412	
Out of Pocket		\$ 4,000	\$ 6,000	\$ 3,000	\$ -			\$ 7,000	\$ 3,000	\$ 1,500	\$ -			\$ 10,000
Total	\$ 28,512		\$ 26,412	\$ 23,412	\$ 20,412		\$ 23,496		\$ 23,412	\$ 21,912	\$ 20,412		\$ 20,412	
Potential Savings			\$ 2,100	\$ 5,100	\$ 8,100				\$ 84	\$ 1,584	\$ 3,084			
<b>Family</b>														
Premium	\$ 44,352		\$ 31,752	\$ 31,752	\$ 31,752		\$ 36,552		\$ 31,752	\$ 31,752	\$ 31,752		\$ 31,752	
Out of Pocket		\$ 4,000	\$ 6,000	\$ 3,000	\$ -			\$ 7,000	\$ 3,000	\$ 1,500	\$ -			\$ 10,000
Total	\$ 44,352		\$ 37,752	\$ 34,752	\$ 31,752		\$ 36,552		\$ 34,752	\$ 33,252	\$ 31,752		\$ 31,752	
Potential Savings			\$ 6,600	\$ 9,600	\$ 12,600				\$ 1,800	\$ 3,300	\$ 4,800			

The maximum Out of Pocket Difference is the difference between the maximum out of pocket expense for the plans being compared. We have assumed that the employee would continue to pay up to their current out of pocket maximum and the employer would pay up to the difference through an HRA. For example, the maximum out of pocket expense for a family under PPO 80 is \$7,000 and \$10,000 under PPO 70. The difference is \$3,000 which would be paid by the employer after the out of pocket expenses reached \$7,000. In many cases the employee would not reach \$7,000 in out of pocket expenses.