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Bank/Financial

Small Business benefits of Health Savings Accounts

It's not a secret that healthcare has become increasingly more expensive; and for a small business, providing such coverage for employees can become a financial stress. If you are trying to control your medical insurance costs, going to a high deductible health plan (HDHP) can be a great option. By raising your company's policy deductibles you can lower your monthly premiums. Because most of the initial cost and/or small expenses are paid by the employee, the amount to be covered by the insurance goes down is no minimum contribution you, as the

If employees are accustomed to a fully insured plan however, switching to a HDHP may cause difficulty, not only psychologically but also financially for your employees. Offering to contribute to a Health Savings Account (HSA) to offset the cost of the deductible can help the employee adjust to the new higher out-of-pocket costs.

When HSAs were initially introduced in 2003, it was thought that balances would build, and the employer would not need to contribute to the accounts on an ongoing basis. However, this has not proven to be true thus far. Employees are finding that they need to use the money to cover their expenses. Providing education to your employees can help them become better consumers of health care, allowing them to better build their

savings balance. This can result in a big win for everyone involved in terms of keeping overall costs down and giving the employee a portable, tax-deferred savings vehicle.

Anyone enrolled in a high deductible health plan (\$1,100 or greater for single coverage or \$2,200 or greater for family coverage) qualifies for a HSA. And, there employer, are required to contribute. This allows you the flexibility to choose the amount you want to contribute as long as you do not exceed the annual maximums (\$2,900 for single coverage and \$5,800 for family coverage). Employees also have the ability to contribute to their personal accounts in addition to any employer contributions, as long as the combined contributions of the employer and employee do not exceed the annual maximums.

To make this an easy process for you as the employer, most banks now have the capability to set-up and manage all your employee accounts, including the issuance of debit cards to be used for qualified medical purchases. Check with your bank, as there may be setup and monthly maintenance fees associated with the HSAs. Such costs can vary from bank to bank.

More information on Health Savings Accounts is available from the US Treasury at www.ustreas.gov/offices/public-affairs/hsa/

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