



HOW TO CUT HEALTH INSURANCE COSTS

HSAs are a secret to saving on medical benefits for you and your shop.



Phil Sasso, is president of Sasso Marketing (sassomarketing.com), an automotive aftermarket advertising, public relations and Internet services agency. He's also a marketing speaker and strategist. For more marketing tips and resources from Phil go to philsasso.com.

The only thing more important than the business health of your performance shop is the health and well-being of you and your employees. So, you want to get the best health insurance possible.

But, as any performance shop owner or manager knows, health insurance benefits are one of the fastest-growing employee costs, with no end in sight.

I have a money-saving secret. It's probably one of the best-kept secrets in health insurance, even though millions of people know about it. I learned about it back in the late 1990s when a young insurance agent convinced me it was the best decision for me as a business owner.

He didn't steer me wrong. I still follow his advice. It's easily saved

me thousands of dollars in premiums. And it can do the same for you.

What's The Secret?

That secret is a Health Savings Account (HSA).

Why is it such a well-kept secret? Maybe because an HSA pays a much smaller commission, because you pay a much smaller premium. But maybe I'm just being cynical. (My wife, Beth, says if I'm not being cynical, I'm sleeping. I disagree—even my dreams are cynical!)

Maybe you have never heard of an HSA. Or, if you have, you

may not realize how it can save you money. It just *sounds* complicated. Actually it's all fairly simple.

Here's how an HSA works: You enroll in an HSA-compatible health insurance plan and Uncle Sam lets you save tax-free for medical expenses, (think of an HSA as a healthcare IRA).

The money you save and the interest it earns is yours tax-free to spend on any and all allowed medical expenses. Once you hit 65, you can take it out tax-free for any purpose. Or if you don't use it in your lifetime, you can pass it on to your heirs. Your heirs may be taxed on it, but you're giving your money to someone you love, not an insurance company. (If you really love your insurance company, make them a beneficiary in your will.)

But, be aware, if you take out money for anything other than a qualified medical expense before you hit 65, you'll pay a hefty 20-percent penalty (up from 10 percent in the past).

Of course, there are a few regulations and stipulations on savings limits, deductible limits and eligible medical expenses. But it's all fairly straightforward with surprisingly little red tape.

How High is a High Deductible?

A High Deductible Health Plan (HDHP) sounds complicated. But basically, it's an insurance plan with a set minimum deductible (\$2,400/family or \$1,200/individual in 2011). The IRS may adjust this number from time to time, but your insurance company is responsible for meeting any policy qualification requirements, (like the \$11,900 maximum out-of-pocket limit).

There's a maximum annual tax-deductible HSA contribution of \$6,150 (an extra \$1,000 if you're 55 or older).

A Health Savings Account (HSA) can be a way small shops can save money by reducing health insurance costs.



Reprinted from *Performance Business* magazine • May 2011

You can contribute more, but it's not tax-deductible. The chart below shows all the details.

2011 IRS Limits	Single Plan	Family Plan
Minimum Annual Deductible	\$1,200	\$2,400
Maximum Annual Out-of-pocket	\$5,950	\$11,900
Maximum Annual Contribution Limit	\$3,050	\$6,150
Annual Catch-up Contribution (55+)	\$1,000	\$1,000

That's pretty much it. No complicated formulas or tax tricks. You'll also notice on the chart that your maximum annual out-of-pocket risk is \$11,900/family (\$5,950/individual). After that your insurance company picks up every covered medical expense (your policy will outline what's covered).

That protects you. Your current high-premium insurance plan might not even cap your out-of-pocket expenses at \$11,900/year. But, to be an HSA-qualifying policy, your insurance must meet this IRS requirement.

How Does This Cut Costs?

The secret is that the higher your deductible, the lower your insurance premium. When I opened my HSA more than a decade ago, I cut my premiums nearly in half. By socking most of that savings into my HSA, I reduced my insurance costs and cut my income tax bill.

After the first year, I had saved enough on premiums to cover my deductible. Now, I don't need to put money in the HSA unless I want to—and it continues to grow tax-free.

You can choose to fund your HSA account in a lump sum deposit or a series of smaller deposits. Most HSA accounts also let you choose to make automatic monthly deposits.

You could also keep the bank minimum in your account and only fund it as needed. The IRS does not obligate you to make mandatory deposits or keep a minimum balance in your HSA. It's all up to you.

I personally try to keep my HSA account balance slightly over my deductible. To do this, for example, if I write a check for eyeglasses from my HSA, I write a personal check for the same amount and deposit it to my HSA. It's easier for me to do it right away than put it off. I do that so that if I ever need to pay out the maximum deductible, I always have enough put aside.

You could choose to fund your HSA to cover 0 years or 100 years of deductibles.

Can I Open an HSA at Any Bank?

Not all banks offer HSAs. Ask your banker if your bank has HSA accounts or Google "Health Savings Account." There are several banks, like HSA Bank (hsabank.com) and Optum Health Bank (optumhealthbank.com) that focus exclusively on HSA accounts and offer a wealth of information and advice. Some insurance providers, like State Farm, offer both health insurance and HSA accounts.

Who is your Favorite Supplier Sales Rep?

**This month's outstanding Supplier Sales Rep is...
Marty Repsher with DAS Distributors**

"Marty is always very knowledgeable about all the products that DAS has to offer, and he is always there to answer the phone when we call. He has been my rep for 12 years, and I don't believe he ever takes time off. One Friday I called him to order stereo equipment for a job we were doing for a Baltimore Ravens player's personal car, and told him that the player wished that it could be done by the weekend. Marty said, 'Let me call you back.' He calls back 10 minutes later and says, 'I'll be there in about two hours with the equipment.' He personally drove from Pennsylvania to Baltimore to deliver the equipment, just to please the customer. I've been in business for 15 years and I've never seen such dedication and selflessness from any sales rep."

Nominated by Mark Wrenn of M&G Customs

Tell us, in 50 words or less, how your Supplier Sales Rep has gone above and beyond. He or she may just be featured in an upcoming issue of Performance Business! Email ewagner@nbm.com, please provide your information and your Supplier Sales Rep's contact information.

"If you subscribe to more than one magazine through NBM, Inc., please specify which magazine."

Congratulations Marty!



As any performance shop owner or manager knows, health insurance benefits are one of the fastest-growing employee costs, with no end in sight.

Although an HSA is called a “Savings Account” it’s not technically restricted to a bank account. If you choose not to put your money in a boring bank to earn a measly 0.000001 percent APR, you can choose to invest your HSA in stocks, bonds or mutual funds.

Be aware, although an HSA at a bank may be FDIC insured (currently up to \$250,000), most other investments are not FDIC insured. It’s always best to ask so you know the risks.

(I’m basically boring. So, I chose the bank. But my bank also offers brokerage accounts if I ever decide to live dangerously.)

At the beginning of each year, you’ll get an IRS Form 5498-SA from your bank or brokerage firm showing the value of your account on Dec. 31 along with the contributions, distributions and rollovers from your account. It looks a little like a 1099 or W2.

You or your accountant will need the 5498-SA when you file your tax return, so keep it in a safe place. (My safe place is giving it to Beth to file. Last time I put something in a safe place, I didn’t find it again until six years later when looking for something totally unrelated.)

Just like with an IRA, you have until April 15 to put funds in your account for the prior tax year and write it off as a deduction. That

makes it a great tax-planning tool. (Ask your accountant or financial advisor how you might use this opportunity to your advantage.)

Where Can I Get the Insurance?

You’d think for Uncle Sam to approve it, you’d need to change insurers or deal with tons of red tape. Actually, you’re free to choose any insurer that offers a qualified high deductible policy—and almost every major health insurance provider has one. Most insurers actually have a wide range of HSA-compatible policies.

Ask your current insurance company if they have HSA-qualifying plans and if you can transfer coverage or need to reapply. Or shop around and get several quotes for several deductibles.

I got quotes from my current provider and chose the one that fell in the middle. Choose whatever you’re most comfortable with balancing your costs and risks.

A quick FYI: I just learned that my policy covers one annual preventive care visit. That means my family basically gets a free physical every year. Most other HSA-compatible policies offer the same benefit. (Sometimes it pays when I take the time to read all the boring fine print!)

The secret is that the higher your deductible, the lower your insurance premium.



How Do I Use it to Pay Medical Expenses?

Having money saved in my HSA for a medical emergency doesn't just give me peace of mind. If something happens, I know we have a little socked away to cover my deductible and any uncovered expenses. But actually, I use my HSA all the time.

When I pick up a prescription from the pharmacy, I hand them my HSA debit card. They swipe it like a credit card and I'm on my way in seconds. Or I'll write an HSA check to my doctor. (Actually, Beth writes the check. If I did, my doctor would be waiting six years until I found the safe place I hid the checkbook.)

Behind the scenes my HSA bank keeps records of all my medical expenses if I ever need them.

You can use your tax-free HSA dollars to pay for many medical expenses your insurance policy doesn't cover, like dental, vision, medical equipment, etc. (Sleepless? Download IRS publication 502 from irs.gov/pub/irs-pdf/p502.pdf. It lists every eligible medical expense and will put even the worst insomniac to sleep.)

Can I Get HSAs for Employees?

You can offer your employees HSA-compatible insurance, but they'll need to open their own HSA account. It will not only cut your premiums, but if they make pre-tax HSA contributions you'll save on taxes like FICA, Unemployment and Workers Compensation. (Ask your payroll service or accountant for details.)

As you can see, HSA-compatible health insurance gives you an affordable option without giving up coverage. Premiums are lower, usually increase at a slower rate, and allow you to save your money instead of giving it to an insurance company.

If this all still sound complicated, just remember it only requires you to do two things—apply for a HSA-compatible health insurance policy and open a qualified HSA account at a bank/brokerage firm. The professionals deal with all the rest.

Now you can either put your premium savings in your HSA account or put that money into that project car you haven't had the extra cash to work on. The choice is yours.

Unfortunately the car doesn't qualify as a mental health benefit. 