

HRA Real Life Example



Points to note when reviewing this example:

- Company did have a \$200 deductible in current plan.
- New plan had \$0 deductible but \$250 inpatient hospital co-pay up to a max of \$1,500 single/\$3,000 family.
- HRA plan written to cover employee's out of pocket inpatient hospital co-pay from \$201-\$1,500/\$3,000 respectively.
- Health insurance cost savings over prior plan year will be determined by the number of inpatient co-pays paid throughout the plan year. Utilization percentages are shown below.

Real Life Example, Inc. Traditional vs. Consumer Driven w/HRA						
Current Plan - Renewal				New Proposed Plan to use HRA		
Employees				Consumer Driven Plan Premium (High Hospital Co-Pay)		
				Proposed for 2004/05 <small>(Plan Max OOP \$1,500/\$3,000)</small>		
		<u>Rate</u>	<u>Monthly Cost</u>	<u>Rate</u>	<u>Monthly Cost</u>	
Single	5	\$374.08	\$1,870.40			
Parent/Child/Ren	3	\$785.58	\$2,356.74	\$231.00	\$1,531.00	
Employee/Spouse	8	\$841.70	\$6,733.60	\$411.00	\$1,233.00	
Family	9	\$1,084.85	\$9,763.65	\$531.00	\$4,248.00	
				\$677.00	\$7,065.00	
Monthly Cost		<u>\$20,724.39</u>		Monthly Cost	<u>\$14,077.00</u>	
Annual Total		\$248,690.00		Annual Cost	\$168,924.00	
Consumer Driven Plan Premium (High Hospital Co-Pay)						
<small>(Plan Max OOP \$1,500/\$3,000)</small>						
	<u>10% Util.</u>	<u>20% Util.</u>	<u>40% Util.</u>	<u>60% Util.</u>	<u>80% Util.</u>	<u>100% Util.</u>
Premium	\$168,924.00	\$168,924.00	\$168,924.00	\$168,924.00	\$168,924.00	\$168,924.00
Full Admin. Fee	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00	\$2,000.00
One time set-up fee	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00
HRA Bank \$1,500/\$3,000	<u>\$6,750.00</u>	<u>\$13,500.00</u>	<u>\$27,000.00</u>	<u>\$40,500.00</u>	<u>\$54,000.00</u>	<u>\$67,500.00</u>
Total projected costs	\$178,674.00	\$185,424.00	\$198,924.00	\$212,424.00	\$225,924.00	\$239,424.00
Savings vs. Traditional Plan	\$70,016.00	\$63,266.00	\$49,766.00	\$36,266.00	\$22,766.00	\$9,266.00

Savings will be based on how many employees incur inpatient hospital co-pays throughout the year, which is shown here as "Utilization".

If 20% of the employees max out their inpatient hospital co-pays, this company is projected to save \$63,266 in overall health insurance benefit costs.

