



EMPLOYEE BENEFITS

Hybrid Cars and Hybrid Health Insurance

Robert Hopper, PhD

When gas prices breached the four-dollar-per-gallon mark, America began to change. GM closed some of its SUV and truck plants in order to retool for more fuel-efficient cars. People voluntarily began to drive more slowly in order to save on fuel, and the demand for hybrid cars far outpaced the auto industry's ability to build them.

Why Hybrids?

Hybrid cars owe their success to combining the benefits of a gas engine with the benefits of an electric motor. Here's the logic: The gasoline engine gets excellent highway mileage but poor mileage in the city. The electric motor is very efficient in city driving, but is less efficient on the highway. With a hybrid car, energy from the battery powers the electric motor during start-and-stop city driving, and as speeds increase the gas engine begins to contribute power; at highway speeds, the car is propelled entirely by the gas engine.

Hybrid Health Insurance

In today's health insurance marketplace, a new kind of hybrid is also evolving: hybrid health insurance. Hybrid health insurance plans owe their success to combining the benefits of an insurance policy (like the gasoline engine) with the benefits of a tax-advantaged health savings account (like the electric motor and storage battery).

The insurance portion provides affordable pro-

tection from large and unexpected medical bills such as a \$30,000 hospital bill or \$250,000 for cancer treatment. Insurance is efficient because a large number of people contribute on a monthly basis to a pool of money so that the few who have large and unexpected expenses will have access to that collective pool to pay those costs. Insurance is cost effective because it is built on the "all for a few" concept.

However, insurance plans are much less efficient with smaller claims. A large number of people still pay a monthly premium; however, a large number of people also use the health plan to pay for their routine and expected health care expenses. This "all for all" concept is not really insurance; it is really prepaying a portion of routine costs in exchange for paying small copays at the time of service. That portion of the premium you pay to the insurance company in exchange for copays is subject to facility costs, labor costs, administrative costs and profits.

Health savings accounts (HSAs) are a more cost-effective way to pay routine and expected expenses. The portion of the premium that would have gone to the insurance company in exchange for low copays now goes into the individual's health savings account on a tax-deductible basis. It is not subject to insurance company costs. The HSA acts like the battery in the hybrid car: during the majority of years—with good health—money accumulates for future use.

This money storage feature makes a huge



difference when analyzed over a three- to five-year period of time. These hybrids health plans can do things that traditional HMO and PPO plans simply cannot do, including:

- **Ability to eliminate financial risk in future years**—With systematic saving in a health savings account over three to five years, individuals can build a surplus that will cover out-of-pocket expenses for several years.
- **Reward for good health**—If the employer puts money into an employee's HSA and the employee does not use that money, the money is effectively a reward for good health.
- **Money for a wellness program**—HSA dollars can be used tax-free to pay for nutrition counseling to lower cholesterol, a WeightWatchers program or stress management program.
- **Ability to plan and save for a lifetime of benefits**—HSAs function like a retirement plan. According to Fidelity, the average couple will spend \$295,000 in unreimbursed health care expenses between age 65 and their final years. Health savings accounts allow individuals to begin planning and saving for these expenses. Much like a 401(k) plan, the younger you start, the greater the benefits.
- **Control future premium increases**—The HSA-compatible, high-deductible health plan is often one of the least expensive plans available that is resistant to annual premium increases. Watch for substantial change both to

hybrid cars and hybrid health insurance in the near future. ●

Robert Hopper, Ph.D., owns Hopper Insurance Services, speaks nationally on the topic of the future of health insurance in America, and conducts CE workshops for insurance agents, CPAs, and HR Directors.

He is author of the continuing education textbook for the insurance industry on health savings accounts: The HSA Strategy: The Future of Health Insurance in America, as well as a second book geared for the consumer.

Bob has thoroughly researched HSA-based plans and come to the conclusion that nearly every American can benefit by having a health savings account. He spends a good deal of his time educating individuals, employers, and employees how these affordable plans offer much greater benefits than traditional HMO or PPO plans.

Hopper Insurance Services has extensive experience servicing employers who offer health savings accounts to their employees including education onsite seminars to educate employees on why these plans benefit them.

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