

Benefit Bytes

“Bytes” of Benefit and HR information brought to you by the insurance professionals at **BENEFIT RESOURCES OF IOWA**

CONSUMER DRIVEN HEALTH CARE

WHAT IS IT?

Consumer Driven Health Care (CDHC) is a concept that encourages active involvement in an individual’s health and how they choose to access health care. Consumers are empowered to make informed utilization decisions because they are rewarded with financial incentives for making wise decisions. The effective implementation of a consumer driven health plan requires that consumers are provided with tools and information to research quality and price, select appropriate providers and treatment options, and to focus on health improvement. Two types of CDHC - HSA’s and HRA’s - are briefly described below.

HEALTH SAVINGS ACCOUNT (HSA)

HSA’s have two components: a high deductible health insurance plan and a tax-favored health savings account.

- The high deductible health plan (HDHP) must meet criteria set forth by the Federal Government.
- Both employees and employers can contribute to the savings account, up to annual limits.
- The money is used to pay for qualified medical expenses of the employee and/or eligible family members. All qualified IRC 213(d) expenses are eligible; the employer cannot change this criteria.
- Money not spent rolls over year-to-year; this rollover feature is an incentive for employees NOT to spend. The employee owns the account.

HEALTH REIMBURSEMENT ARRANGEMENT (HRA)

An HRA is a tax-favored arrangement that is generally provided alongside a health plan, but can also be offered on a stand-alone basis.

- Any health plan may be used along with an HRA.
- Only employer money can be used for an HRA.
- Employers may customize the plan; for example:
 - Use of the HRA money can be limited, i.e., to cover only expenses covered by the health plan.
 - Rollover of unused money is optional by plan.
- The employer’s money is not actually deposited into a savings account; it is not paid until needed for the qualified medical expenses. The employee does not have ownership.

DID YOU KNOW?

Employee or Independent Contractor

The answer has serious implications on your tax and benefit obligations, and you may also be liable for financial penalties if you misclassify your workers. It is important that employers exercise due diligence in ensuring proper worker classification. For more information visit the IRS website.

Wellness Plans

February is Heart Month, sponsored by the American Heart Association. The heart and brain have a significant connection and impact on each other in your body. Due to this, mental health can have a dramatic effect on heart health, and vice versa. When you experience stress, which is a response in your brain, the body responds by increasing:

- Blood pressure
- Respiratory rate
- Heart rate
- Oxygen consumption
- Blood flow to skeletal muscles

Reminder

Employers who issue 250 or more W-2’s for the 2012 tax year must show the “aggregate cost of employer provided health coverage” on the W-2. Affected employers should have already taken steps to prepare for this change. Guidance can be found on the IRS website.