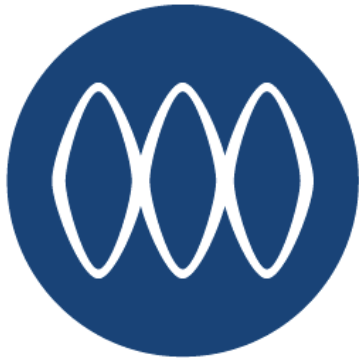


A MILLIMAN GLOBAL FIRM



Milliman

Consultants and Actuaries

Health Savings Accounts

Actuaries' Club of the Southwest

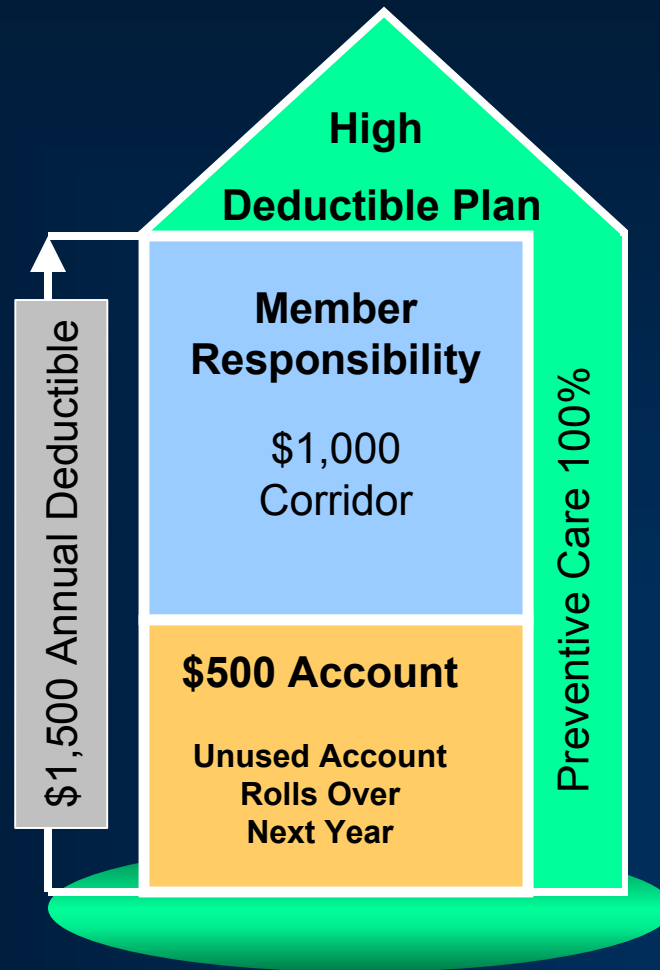
San Antonio Meeting

November 11, 2004

Presented by: Tim D. Lee, FSA

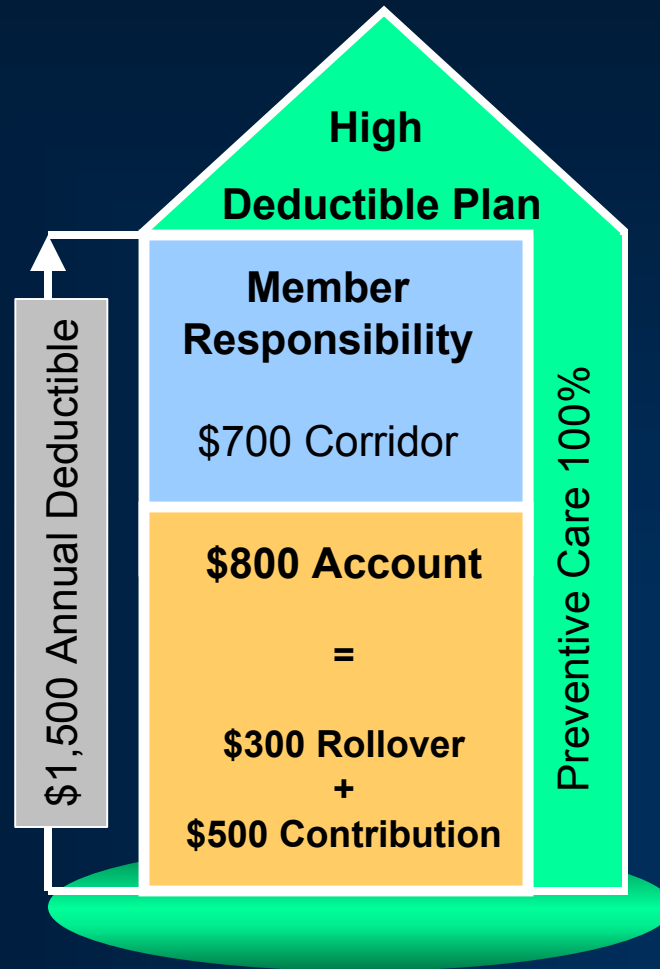
Spending Account Products

Example – 1st Year



Spending Account Products

Example – 2nd Year (\$200 Claim 1st Year)



HSA Impact on Overall Utilization

Coinsurance = 90% / Account = 40% of Deductible

Annual Deductible	Utilization Reduction Due to Cost Sharing	Utilization Increase Due to Account	Net Utilization Reduction
\$500	5% to 9%	0% to 2%	3% to 9%
\$1,000	7% to 11%	1% to 3%	4% to 10%
\$2,500	12% to 17%	3% to 5%	7% to 14%



HSA Feasibility Analysis

Plan Design Comparison

	PPO	HSA
Account Contrib.	\$0	\$750*
Deductible	\$250	\$1,500
Coinsurance	90%	90%
OOP Max	\$1,000	\$2,500
Family Limits	2x	2x
Office Visit Copay	\$10	Ded / Coin
Rx Copay	\$10 / \$15 / \$25	Ded / Coin

* \$750 for a single employee; \$1,500 for an employee with family



HSA Feasibility Analysis

Self-insured Premium Development

Annual Premium

	PPO	HSA	Savings
Medical Costs*	\$7,908	\$7,027	881
- Ee Cost Sharing**	1,040	2,041	1,001
+Administration	269	404	(135)
+Stop loss fees***	67	67	-
= Premium	\$7,204	\$5,457	\$1,747

•Assumes both plans cover same medical services and have identical networks, provider discounts, utilization review procedures, employee demographic mix, etc.

*** Cost sharing includes copays, deductibles & coinsurance.*

**** Fees = stop loss premium - recoveries*



HSA Feasibility Analysis

Employee Cost

Employee Annual Cost Comparison			
	PPO	HSA	Savings
Premium Contrib*	\$1,801	\$1,657	\$144
+ Cost Sharing**	1,040	2,041	(1,001)
- Account Payout	-	883	883
- Account Balance	-	287	287
= Total Costs	\$2,841	\$2,528	\$313
* Assumes employee pays 25% of plan costs			
** Includes copays, deductibles, & coinsurance			



HSA Feasibility Analysis

Employer Cost

Employer Annual Cost Comparison

	PPO	HSA	Saving
Premium Contrib*	\$5,403	\$3,800	\$1,603
+ Account Payout	-	883	(883)
+ Account Balance	-	287	(287)
= Total Costs	\$5,403	\$4,970	\$433

* Assumes employer pays 75% of plan costs



HSA Feasibility Analysis

Full Replacement Summary

Annual Cost Comparison Per Employee

	PPO	HSA	HSA Savings
Employee Costs	\$2,841	\$2,528	\$313
Employer Costs	\$5,403	\$4,970	\$433
Year-end HSA Balance	-	\$287	\$287



HSA Feasibility Analysis

Full Replacement Summary

Allocation of Savings by Source

	Total	Employee Share	Employer Share
Premium Savings	\$1,747	\$436	\$1,311
HSA Income	\$1,171	\$1,171	0
HSA Contribution	(1,171)	(293)	(878)
Higher Cost Sharing	(1,001)	(1,001)	0
	\$746*	\$313	\$433

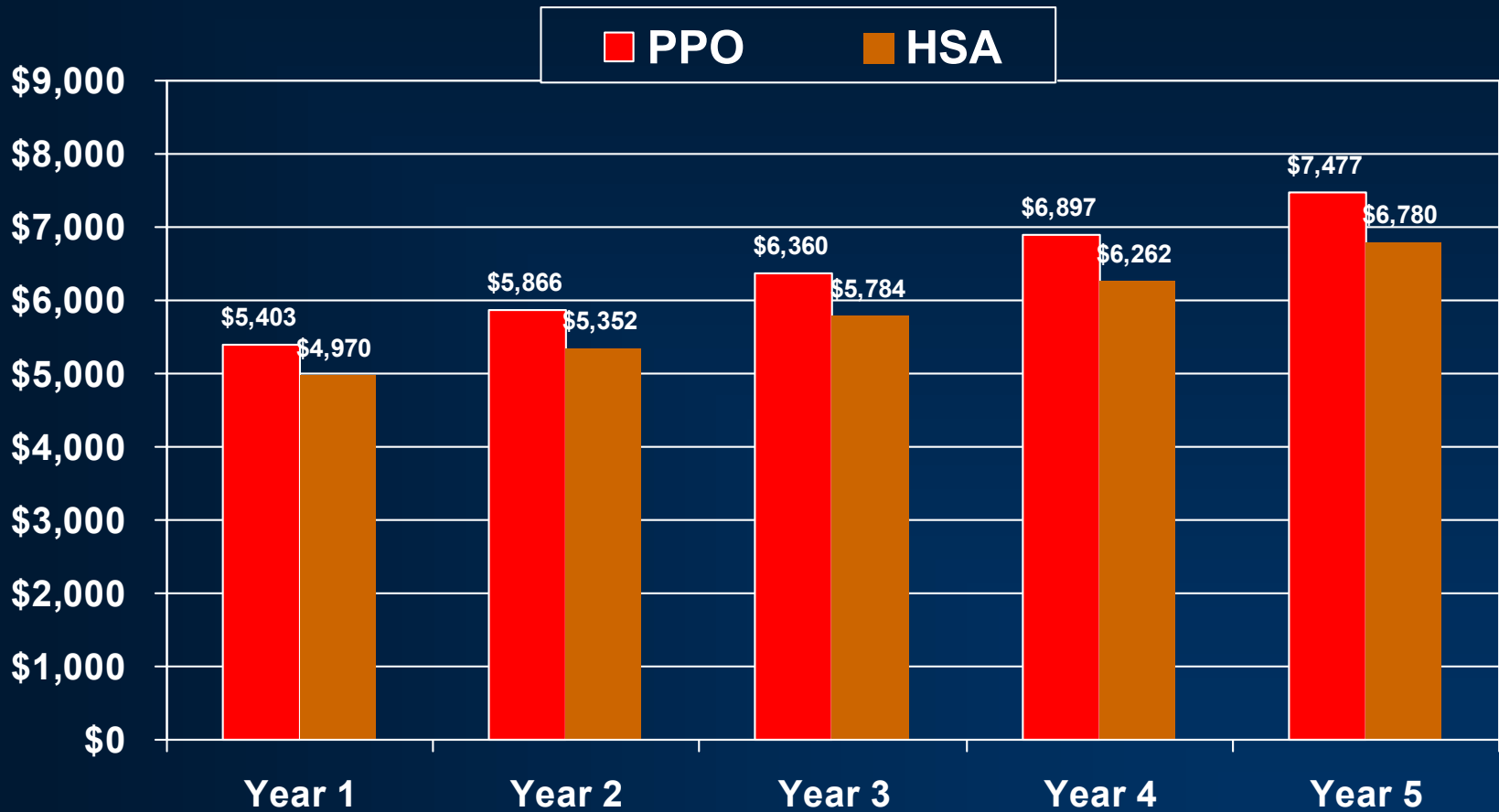
** \$746 total savings equals \$881 medical cost savings less \$135 increase in administration costs*



HSA Feasibility Analysis

5-Year Employer Cost Projection (PEPY)

Full Replacement Comparison



Source: Milliman *Consumer Driven Rating Tool*

Key Issues

- Utilization Savings
- Account Contribution (not to high)
- Multiple Choice option?

