



# Keeping Employee Benefits Afloat Without Drowning in Debt

By Carolyn Van Dyke, CIS Benefits Manager

As savvy cities looked to the budget horizon a few years ago, they saw the growing swell of employee healthcare costs and realized that they couldn't escape the tsunami-sized national trend. But they *could* avoid drowning by making some different choices at home.

And by looking at different choices in employee benefit plans, they found options that help their budgets without hurting their employees' health.

A growing number of cities are turning to High Deductible Health Plans (HDHP), linked to a Health Savings Account (HSA) or to a Voluntary Employee's Beneficiary Association (VEBA).

Here are some examples of cities participating in City County Insurance Services' CIS Benefits program that have made the leap:

- Coos Bay firefighters adopted a high deductible plan with an HSA in January 2007 as part of their contract negotiations.
- The city of Hood River is moving to an HDHP on January 1, and is funding contributions to a VEBA to offset the impact of the higher deductible or other uncovered healthcare expenses.
- Four other CIS Benefits members are saving costs and minimizing the need for layoffs by moving to an HDHP in January, choosing \$1,500 or \$2,500 deductibles with HSAs.

Employers pay lower premiums for high deductible health plans compared with traditional medical plans. The costs are lower because the deductibles are higher; for an HDHP with a Health Savings Account, deductibles are a minimum of \$1,200 for individuals and \$2,400 for a family in 2010. Even though the deductibles are high, employees continue to receive a high level of benefits through these plans. As a number of cities have found, the savings from traditional plans are significant enough that they can typically fund a large part of the higher deductible for employees and still save money.

How do employers help offset the higher deductible for employees? By making contributions to an HSA or VEBA associated with the HDHP. The HSA or VEBA belongs to employees and they can choose when and if to access the dollars in them. If employees access the money for eligible healthcare expenses, it is received *tax free*. Employees own and control their accounts. If there are monies left in an account at the time of resignation, retirement, or termination, the account goes with the employee. The monies can even be accessed by beneficiaries.

The differences between the HSA and VEBA include how they are funded. Both employers and employees can contribute to an HSA, up to an IRS-determined amount. Only employer dollars go into a VEBA. HSAs must be used in conjunction with HDHPs; VEBAs can be used with any level of deductible.

In fact, many employers have had VEBAs in place for many years, not tied to HDHPs. Sometimes they were used to move employees from a \$100 to a \$200 deductible plan, or to transition from one plan type to another. With current rates, employers usually can't save enough in premiums to fund the VEBA accounts unless the employees transition to a much higher deductible plan (e.g. at least \$1,000).

CIS has experience helping member employers and employees transition from traditional medical plans to ones with lower cost and more individual flexibility. CIS Benefits Manager Carolyn Van Dyke has logged many miles as she talks with employers and employees about HDHP plans. The result has been a win-win for employers and employees.

Change is challenging...especially since many employees fear that a change in coverage equates to a reduction in benefits. A key to a smooth and successful transition is ongoing employee education and communication. Most employers have taken at least a year and a half, if not more, to make the transition.

**Editor's note:** A training workshop on HSAs and VEBAs is scheduled at the CIS 9<sup>th</sup> Annual Risk Management Conference, February 3-5 in Tigard. Contact Carolyn Van Dyke at CIS Benefits, [cvandyke@cciservices.com](mailto:cvandyke@cciservices.com) or (503) 763-3820 for more information about CIS Benefits high deductible and other benefits plans. ■

**CIS answers Rockaway Beach's request with grant.**



The City of Rockaway Beach used CIS Risk Management Grant funds to upgrade its antiquated phone system.

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