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Medicare and Employee Benefits Open Enrollment Season

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November brings open enrollment season for employee benefits as well as the opportunity for Medicare participants to review and make changes to their coverage. This is an important window to make sure that your benefits plans meet your current needs and circumstances. We look forward to helping you work through the exercise and to considering any changes that might be necessary.

While your individual needs will dictate your selections, we want to take a moment to reiterate our strong preference for high deductible health plans paired with healthcare savings accounts (HSAs). After you enroll in Medicare, you can't participate in an HSA. Prior to that time, however, we think the merits of HSAs make them the preferred choice for most people.

Many employers offer a high deductible health plan as part of a menu of benefit choices. For those shopping in the health care exchanges, high deductible plans are also available. Not surprisingly, with a name like "high deductible", this option hasn't been the most popular choice. We think that may be due to poor marketing and inertia.

A recent study from Voya noted that 75% of US citizens would reduce their overall out of pocket health expenditures with a high deductible plan but only 31% use them. The extent of your use of medical services is the largest determinant of potential savings. Not surprisingly, 84% of those in the 25–34 age range who are generally healthy, would be better served with a high deductible plan.

This analysis ignores the additional opportunity for those who pair their high deductible plan with a healthcare savings account. With an HSA, some employers will contribute on behalf of the employee. The employee can supplement any employer contributions up to the HSA limits or make the contribution entirely on their own and claim a current year tax deduction for the contribution. In

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2024, those limits will be $4,150 for a single and $8,300 for a family. If you are over 50, there is a catch-up contribution of an additional $1,000 per year that can be added to the plan.

HSAs are portable (meaning that you can take them with you if you change jobs) and are extremely flexible. Funds can be used to offset out-of-pocket costs now or in the future. In comparison flexible spending accounts (FSA) must be spent each year and you cannot hold funds to use in the future. We are fans of allowing an HSA to grow over time. Because funds can be invested and grow tax free, the vehicle can be a powerful wealth building tool. When it comes time to make withdrawals, funds can be taken out on a taxfree basis for medical expenses that were incurred at any point in time that the plan was open. We can’t think of an account vehicle that offers a combination of current year tax savings, tax free growth and virtually unimpeded access.

Given the importance of these benefit decisions, we hope you will spend more than the 17 minutes that Voya reported as the average amount of time that employees spend on their open enrollment. If we can be help in that process or answer any questions about HSAs in general or your plan, please let us know.