



## HRA Group Insurance Premium Savings Calculator

Employers by the thousands are utilizing a new strategy that combines high deductible health insurance with a HRA plan to substantially reduced insurance costs. The effect to the employee is cushioned with an HRA. See how much money this new strategy could save your company.

The HRA concept is simple; the employer considers using a high deductible group health insurance plan to reduce premiums and save money. To cushion the effect of the new high deductible to employees the employer establishes an HRA plan to pay the difference between the old deductible and the new high deductible. The HRA only pays if an employee actually has deductible expenses during the year. How many employees will have a deductible? Actuaries say 15% to 20% of employees will have a deductible expense each year.

Example: The group's old health plan had a \$500 deductible. To save money the employer buys a \$5,000 deductible plan. The employer then establishes a HRA plan that will pay deductible expenses from \$501 to \$5,000. The employee continues to pay the first \$500 of deductible expenses so nothing changes for the employee.

Here is a simple HRA savings calculator to determine if this concept will benefit your group:

Current/Old Group Insurance Premium:	\$ _____	A
New High Deductible Group Premium:	\$ _____	B
Group Premium Savings w/HRA (A - B):	\$ _____	C
100% HRA claim liability for all employees:	\$ _____	D
Anticipated HRA Claims at 20% (D X .20):	\$ _____	E
Premium Savings after HRA claims (C - E):	\$ _____	F

A – Is the group's current health insurance premium without an HRA.

B - Is the quote for a new high deductible health plan, i.e. \$1,500, \$2,000, \$3,000 or \$5,000.

C- Is the difference between the old premium and the less expensive new premium.

D – Is the potential liability if every employee had a 100% claim against the HRA. Example: The HRA has a \$4,500 benefit per employee (\$501 to \$5,000). There are 12 employee in the HRA plan, 12 employees X \$4,500 maximum HRA benefit = \$54,000.

E - Is the HRA actuarial anticipated claims based on the average group. We're using 20% for first year calculations. After a group has one year of experience they can estimate potential claims using their actual experience which will most likely be less than 20%. Example: If your total HRA plan liability if every employee had a 100% claim is \$54,000 you would multiply that number by 20% to get the expected claims expense for your HRA plan. (\$54,000 X 20%)

F - Is the net HRA savings to the group. Take the total insurance premium savings in C and deduct the expected HRA claims number in E which gives you the expected annual savings.