

The Dovetail Plan

Lowering Health Care
Costs for Texas Employers!

TPA Systems, Inc., Houston, Texas 713-641-4720

The Dovetail Plan

A Great Way for Employers to Save Big Money on Health Premiums!

Facts About Health Reimbursement Arrangements (HRA's)

Employer owned and controlled
No federal contribution limits

No strings attached to plan design
Unused funds retained by the employer

Determining the Employer Cost of a HRA

- 1. Employer chooses what expenses will be reimbursable
 - A. **Deductible/Coins. Only:** unreimbursed deductibles within a health plan (least expensive)
 - B. **Deductible Plus:** Unreimbursed deductibles and co-pays (more expensive)
 - C. **Freestyle 213:** All expenses allowed under Section 213(d) of IRC (most expensive)
- 2. Employer determines his Total Commitment
 - A. Identifies the total number of covered individuals in the plan
 - B. Establishes a dollar value that will be reimbursed for each
 - C. Multiplies the two together (e.g. 40 covered individuals X \$2,500 dollar value = \$100,000 Total Commitment)
- 3. Employer attaches an appropriate funding percentage to the Total Commitment, based on what expenses he deems reimbursable
 - Deductible/Coins. Only: @15% Deductible Plus: @40% Freestyle 213: @50%
- 4. Employer calculates his annual funding objective (which is paid monthly)
 - A. Deductible Only: $15\% \times \$100,000 = \$15,000 / 12 = \$1,250/\text{mo.}$
 - B. Deductible Plus: $40\% \times \$100,000 = \$40,000 / 12 = \$3,333.33/\text{mo.}$
 - C. Freestyle 213: $50\% \times \$100,000 = \$50,000 / 12 = \$4,166.66/\text{mo.}$

Putting an HRA to Work – An Actual Employer Example (note the striking similarity of the pre-HRA and post-HRA plan designs!)

oil field equipment manufacturer, 57 employees, 85 covered individuals		
pre-HRA health plan sketch	\$1,000 annual ded., 100% thereafter, \$20 co-pay for physicians, 10/35/65 drug card	annual cost: \$470,000
post-HRA health plan sketch	\$5,000 annual ded., 100% coverage thereafter, \$20/\$40 copay for physicians, 10/35/55/25% drug card	annual cost: \$310,000
HRA	reimburses last \$4,000 of employee deductible	\$3,500 in annual fees, \$60,000 in projected HRA funding, total \$63,500
post-HRA health plan and HRA account combined	\$1,000 annual ded., 100% thereafter, \$20/\$40 co-pay for physicians, 10/35/55/25% drug card	annual cost: \$373,500
annual savings: \$96,500 (21.5%)		

The Dovetail Plan

Taking Employee Benefits Into the Future!

Dovetail Plan Features

- Contributing agreed upon funding objective binds the plan to fund all allowable claims
- Provides covered participants with ID and/or debit cards
- Removes the employer from reimbursing for claims
- Claims advanced against uncollected funds!
- Up to four payout tiers available, including first dollar
- Waiting periods need not coincide with group plan
- Plan year can be any twelve month period
- Plan can pay claims retroactively
- Percentage cost of administration is far less than a health insurance policy
- HRA benefits are COBRA eligible
- Interest: none in, none out

Claim Facts

- Manual claims paid weekly
- Claims can be paid via USPS, ACH, or debit card
- Manual claims must be accompanied by EOB from carrier
- 90 day run-out upon either employee or plan termination

Funding Facts

- Employers are 100% liable for all paid claims
- Admin fees and claim funding are by ACH into different TPAS accounts (operating and claims)
- Funding adjustments are made quarterly, but can be more frequent if necessary

Plan Expense Facts

- Setup: \$295 for plan documents, plus negotiable set-up charge
- Low ongoing per participating employee admin fees
- No set-up charge for future hires
- No charge for newly issued ID cards (\$10 charge for lost/stolen debit card replacement)
- No charge for mid-year plan changes

Ineligible HRA participants

- Owners of sole proprietorships
- Members of LLC's
- Partners of partnerships
- 2% owners of s-corporations

TPA Systems, Inc.
P.O. Box 262502
Houston, Texas 77207
(ph) 713-641-4720
(fax) 713-641-4721
tpasystems.net