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Sitzmann Morris & Lavis Indicates New Health Savings Accounts Will Revolutionize Employee Health Benefits

OAKLAND, Calif.--(BUSINESS WIRE)--Dec. 17, 2003--

"Biggest Innovation since HMOs" Will Result in New Relief for Employers and More Savings for Employees

The health savings accounts (HSAs) created in the recently enacted Medicare Prescription Drug, Improvement, and Modernization Act of 2003 will result in sweeping changes in employee health benefits according to Sitzmann Morris & Lavis (SML), one of the leading independent based insurance advisory firms in Northern California. Bill Lavis, a partner with SML, believes the new bill can offer immediate savings and much-needed relief to employers who have been burdened with rising health benefits costs without reducing employee benefits. The new plan will also give employees incentives to adopt a healthier lifestyle and offer a tax-free way to save for future medical expenses and post retirement medical needs.

The Medicare Prescription Drug Act signed into law last week includes a provision for employers to offer tax-favored health savings accounts (HSAs) to employees effective January 1, 2004. These HSAs can be can be funded by employee contributions through a pre-tax payroll deduction or by employer contributions. Eligible employees with a qualifying high-deductible medical insurance plan can save up to $2,600 per year for an individual or $5,150 for a family. Health plans are scrambling to bring their HSA-qualified plans to market as close to January 1st as possible. Unlike flex spending accounts where the employee loses unspent funds, HSA savings can be rolled over and accumulated to pay medical expenses after retirement, much like a 401K plan.

"This is the biggest thing to hit the health insurance market since HMOs," said Lavis. "Our clients have been asking us for new strategies to relieve the rising cost of health insurance. HSAs may offer the magic bullet."

Lavis predicts that businesses can get immediate savings and establish a more stable long-term benefit cost structure by adopting a plan with HSAs as a component part. The cost of providing health benefits has increased from 7 to 10 percent every year over the last decade and is expected to increase as much as 16 percent in 2004. The increased cost of providing health benefits is slowing job growth at many companies and forcing others to reduce payroll.

As Lavis explains, employers have limited options to control rising health insurance costs: 1) set up Section 125 programs for medical reimbursement; 2) increase the amount of employee contributions to reduce costs; 3) change insurance providers frequently to chase the best rate; or 4) change plan designs to reduce premium costs. With the advent of HSAs, employers can establish a long-term relationship with a strong insurance carrier and reduce expenses by shifting the burden of rising health-care costs to the HSA.

"There is a sea change taking place in the health care industry," added Lavis. "Today's increasing health care costs are being driven by chronic ailments that are heavily lifestyle-related. The advent of such programs points to a bigger trend that places the burden on the individual to take responsibility for their day-to-day health, which is where it belongs."

About Sitzmann Morris & Lavis

Founded in 1965, Sitzmann Morris & Lavis (SML) headquartered in Oakland, Calif., is one of the leading independent based insurance advisory firms. The firm is an established leader in the employee benefit, life insurance, estate planning and business continuity fields. Their access to proprietary insurance products and sophisticated administrative services are unmatched nationwide. No other advisory firm in Northern California offers such effective insurance coverage for both employer and employee. SML currently works with more than 700 group insurance clients and over 3,000 individual life insurance clients with total coverages in excess of two billion dollars.