

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 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 Only: 20% Deductible Plus: 40% Freestyle 213: 50%
- 4. Employer calculates his annual funding objective (which is paid monthly)
 - A. Deductible Only: 20% X \$100,000 = \$20,000
 - B. Deductible Plus: 40% X \$100,000 = \$40,000
 - C. Freestyle 213: 50% X \$100,000 = \$50,000

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

oil field equipment manufacturer, 57 covered employees, 85 total covered individuals, Harris County		
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 1/12 of the annual funding objective initiates claim funding
- Claims advanced against uncollected funds!
- Provides covered participants with ID cards
- Removes the employer from reimbursing for claims
- Up to three payout tiers available, including first dollar
- Waiting periods need not coincide with group plan
- Benefits can discriminate by class
- Plan year can be any twelve month period
- Percentage cost of administration is far less than a health insurance policy
- HRA benefits are COBRA eligible
- Interest: none in, none out

Claim Facts

- Claims paid weekly
- Claims can be paid via USPS or ACH
- 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
- Funding adjustments are made quarterly, but can be more frequent if necessary
- Admin fees and claim funding are by ACH into different TPA Systems accounts (operating and claims)

Plan Expense Facts

- Setup: \$295 for plan documents, \$12 one-time set-up charge per participating employee
- Low monthly plan expenses (per participating employee)
- No set-up charge for future hires
- No charge for ID cards
- 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