



contributions to each employee's HSA, the overall costs for the healthcare benefit would still be less than its current option. Beyond cost savings on premiums, many believe that consumer-driven healthcare tends to reduce overall healthcare costs. Some of the experts Susan spoke to at the conference stated that when employees have a greater say in their healthcare decisions, they make wiser decisions and do not spend as much on healthcare.

Susan has discussed the HSA option with Frontline's Director of Finance, Allison Jones. From the financial perspective, Allison agrees that the option would be a good step to start controlling healthcare costs. However, as an employee who would use the benefit, Allison isn't so sure that an HSA with a high-deductible health insurance plan is the right option for the company. Based on Susan's initial explanation,

Allison didn't really understand how the HSA worked. Further, she was concerned that she would have to spend more out-of-pocket on her own healthcare.

Susan is convinced that the HSA option would offer a significant cost savings to Frontline. However, after her discussion with Allison, Susan is still unsure if it is the right path to recommend for her company.

Questions

1. What are some advantages of implementing the HSA option?
2. What are some potential disadvantages of the HSA option?
3. What do you recommend? Why?

Endnotes

1. ERISA §3(2)(A), 29 U.S.C. §1002(2)(A).
2. Costo S. L. (2006). Trends in retirement plan coverage over the last decade. *Monthly Labor Review*, February, pp. 58–64.
3. Ibid.; U.S. Department of Labor (March 2009). *Program Perspectives on Retirement Benefits*, Issue 3 [online]. Available: www.bls.gov, accessed June 13, 2009.
4. Costo, "Trends in retirement."
5. U.S. Department of Labor, *Program Perspectives*.
6. Internal Revenue Code (hereafter cited I.R.C.) §§410(a)(1), 410(a)(4); Treas. Reg. §1.410(a)-3T(b); ERISA §202(a).
7. I.R.C. §410(a)(3), Treas. Reg. §1.410(a)-5, 29 C.F.R. §2530.200b-2(a), ERISA §202(a)(3).
8. I.R.C. §414(q).
9. I.R.C. §§410(a)(1), 410(a)(4); Treas. Reg. §1.410(a)-3T(b); ERISA §202(a).
10. I.R.C. §410(a)(3), Treas. Reg. §1.410(a)-5, 29 C.F.R. §2530.200b-2(a), ERISA §202(a)(3).
11. I.R.C. §§411(a)(2), 411(a)(5); Treas. Reg. §1.411(a)-3T; ERISA §203(a).
12. I.R.C. §§411(a)(7), 411(b); ERISA §§204, 3(23); Treas. Reg. §1.411(b)-1.
13. I.R.C. §401(a)(4).
14. I.R.C. §415(b).
15. I.R.C. §404(a)(1)(A)(i)–(iii).
16. §404(a)(1)(C).
17. I.R.C. §411(a)(7)(A)(ii); ERISA §204(b)(2).
18. Prop. Treas. Reg. §§1.412(b)–1(a).
19. I.R.C. §415(c)(2); Treas. Reg. §1.415–6(b)(1).
20. I.R.C. §415(c).
21. I.R.C. §§404(a)(3), 402(g).
22. I.R.C. §404(a)(3).
23. Treas. Reg. §1.401–1(b)(2).
24. I.R.C. §404(a)(3).
25. I.R.C. §§401(a), 4975(e)(7)–(8).
26. U.S. Department of Labor, Bureau of Labor Statistics (September 26, 2008). *Employee Tenure in 2008* (08-1344) [online]. Available: www.bls.gov, accessed June 13, 2009.
27. Green, L. B. (October 29, 2003). *What Is a Pension Equity Plan? Compensation and Working Conditions Online* [online]. Available: www.bls.gov/opub/cwc/cm20031016ar01p1.htm, accessed July 29, 2004.
28. 26 Code of Federal Regulations §§1.401(a)(4)–8(c)(3)(I).
29. U.S. Department of Labor, Bureau of Labor Statistics (September 23, 2003). Questions and answers on cash balance plans. *Compensation and Working Conditions Online* [online]. Available: www.bls.gov/opub/cwc/print/cm20030917ar01p.htm, accessed July 29, 2004.
30. 26 U.S.C. §411(a)(7).
31. U.S. General Accounting Office (September 2000). *Private Pensions: Implications of Conversions to Cash Balance Plans*. GAO/HEHS-00–185. Washington, DC: GAO.
32. Ibid.
33. Ibid.
34. *Eaton v. Onan Corp.*, 2000 WL 1459801 (S.D. Ind. 2000).
35. *Dan C. Tootle v. ARINC Inc.*, U.S. District Court for the District of Maryland, No. CCB-03–1086.
36. *Cooper v. The IBM Personal Pension Plan*, Civil No. 99–829-GPM (S.D. Ill. July 31, 2003).
37. *Cooper v. The IBM Personal Pension Plan*, Civil No. 05–3588, U.S. District Court of Appeals for the 7th Cir. (August 7, 2006).