Evaluating Consumer-Driven Plans
Key Points

- Cost Drivers
- Employer Options
- Consumer-driven Health Plans (CDHPs)
- Evaluating whether CDHP is right for you
- Executing a successful program
Factors Driving Trends

Health Care Cost Drivers

- Skyrocketing prescription costs
- Rising hospital and physician costs
- Advances in technology
- Increase in chronic conditions
- Increased usage
- Aging population
- Lack of consumer involvement in purchase
- ACA/Health care reform

Health Care Cost Drivers
Employee Perspective

**Misconceptions about the rising cost of healthcare:**

- Healthcare costs will always rise, just like most products and services do.
- Rising healthcare costs are caused by economic forces beyond their control.
- It’s someone else’s fault. Doctors, hospitals, insurance companies, government, or employers are to blame.
Employer Perspective

- Impossible for employer to pay for all the future drug/medical technology and services desired by employees
- Challenges hiring & retaining talented employees
- Often times compensation package isn’t balanced
- Retiree Benefits
Employer Options

- Absorb the cost
- Pass on the premium increase to employees
- Drop coverage completely
- Reduce coverage (limit retiree coverage)
- Implement Wellness and/or Cost Containment programs
- Offer a consumer-based model
Americans Are Likely To Spend...

2 hours choosing a restaurant for a special occasion

24 hours researching appliances before making a purchase

1 week looking for a new car

BUT...

only a few minutes deciding where to render health services.
Consumer-driven Health Plans (CDHPs)

3 Primary Principles

1) Transparency

2) Responsibility

3) Opportunity
Advantages

- Comprehensive Coverage with Preventive Care
- Access to PPO networks
- Rewards for healthy lifestyles
- Lower Premium
- Lower HealthCare Spend
Criticism

- Hard to understand
- Shift health costs from the healthy to the sick
- Employee cost share too high
Turn your employees into healthcare bargain hunters!
Types of CDHPs

- Health Reimbursement Accounts (HRAs)
- Health Savings Accounts (HSAs)
- Flexible Savings Accounts (FSAs)
Health Reimbursement Arrangements (HRAs)

• Established as IRS Sec. 105 Plans
• Solely employer-funded
• Employer’s budget/plan design determines contribution limit
• Allows employer to reimburse employee tax-free for medical expenses
• May not accept pretax employee contributions, either directly or indirectly
• Use of debit cards when employer pays first
Health Reimbursement Arrangements (HRAs)

- Can reimburse deductible medical expenses
  - Health expenses that are not reimbursed by other plans
  - Some health insurance premiums, including long-term care
- Cannot reimburse non-health expenses
  - Cannot pay bonuses, severance or death benefits
  - Cannot reimburse premiums paid with pretax dollars
Health Reimbursement Arrangements (HRAs)

- Most often member pays first
- 100% coverage for preventive care
- Rollover of account is an option

- HRAs are subject to COBRA rules and nondiscrimination rules
HRAs and High Deductible Health Plans

- HRAs may be coordinated with traditional or high deductible plans
- No fixed coordination rules apply—HRA can be set-up as First Dollar, Last Dollar, Shared, or Bridge
- An HRA may be offered as a stand-alone option, or employees can be required to elect high-deductible coverage to receive an HRA
- Employees can pay for the premium of high-deductible coverage with pretax contributions
HRAs and Rollover Features

- Provides incentive to save for future needs
  - Prior year rollovers may encourage discretionary, high dollar claim submissions
- Be aware of “look back loophole” in which HRAs cover expenses from previous years
- Employers can estimate future liability by capping rollover limit
HRA Benefits

Employees:
• Rollover unspent funds
• Employee directs his or her own care
• Decision support tools

Employers:
• Employer-owned
• Less involved in coverage
• Cost control
• Share risk of cost/utilization with employees
HRA Disadvantages

**Employees**
- Member responsibility
- High cost, if chronic disease sufferer

**Employers**
- Adverse selection
- Actual cost savings may be negligible
- May skew actuarial assumptions
- High HRA administrative cost
HRA Coordination with Health FSAs

- HRAs may be offered in lieu of FSAs
- HRAs may be offered in addition to FSAs

Coordination rules:
- Plan Documents of both plans must clearly indicate which plan pays for eligible expenses.
- An expense cannot be funded by both plans.
Health Savings Accounts (HSAs)

- Tax deductible for amounts contributed
- Employer and employee contributions allowed
- Must be offered with a qualified high deductible health plan
- Individual may not be covered by any other health plan
- Must be included in a cafeteria plan for pre-tax employee deductions
- Owned by the employee
  - Portable
## Health Savings Accounts (HSAs)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>$1,300</td>
<td>$6,450/$6,550</td>
<td>$3,350</td>
</tr>
<tr>
<td>Family</td>
<td>$2,600</td>
<td>$12,900/$13,100</td>
<td>$6,750</td>
</tr>
</tbody>
</table>

* Includes Employee & Employer contribution
HSA Benefits

Employees:
- Own the account
- Used to meet out of pocket expenses
- Rollover of unspent funds – investment options
- Contributions are Tax Deductible
- Can save tax-free for later use on qualified medical expenses

Employers:
- Increase FICA Savings
- Limited Liability – Custodial Trustee
- Employees may put cost pressure on health care providers
- Employer contribution may be used as employee incentives
HSA Disadvantages

**Employees:**
- Requires HDHP
- Can increase cost sharing
- New information to learn
- Must take more responsibility

**Employers:**
- Requires HDHP
- Trustee requirement can add cost and complexity
- HDHPs may cause employee resentment
- Cannot control employee contributions
HSA Coordination with Health FSAs

- HSAs may be offered in lieu of FSAs
- HSAs may be offered in addition to a Limited FSAs

Coordination rules:
- Married tax filing – only HSA and Limited FSA is permitted in a household
- An expense cannot be funded by both plans.
What’s Next?

Develop A Strategy

- Review Metrics
- Evaluate Culture
**Review Metrics**

Thoroughly analyze your claims to find utilization patterns and cost drivers.

- **Benchmark your claims data**
- **Dig Deeper to find problem areas**
- **Implement Solutions to save money**
- **Explore Solutions via plan design modeling**
• Biometric Screening
• Health Risk Assessment
• Wellness Survey
• Prescription Drug Utilization

Compile all aggregate reports to learn what types of conditions are affecting your workforce
Evaluate Culture
Ask questions to determine needs of the organization and workforce

• When it comes to benefits, do you offer a comprehensive, customizable package to meet all employees needs?

• Does your organization tend to make decisions on behalf of employees or do you encourage employees to get involved in making their own decisions?

• Is your employee demographic changing?

• Does your organization provide a positive and supportive peer environment?

• Are wellness values shared across your organization?

• Does your leadership team lead by example?
Building An Effective Strategy

Is the program structure, plan design, and pricing appropriate?

Does pricing and plan design encourage cost-conscious behavior on the part of the employee?

Does the plan include effective disease management, case management, and wellness programs?

Are employee communication efforts appropriate and effective, especially regarding employee health and wellness and/or consumerism?

Do you have the right vendors, services, and funding in place?
Implementation Phases

- **Phase 1** – Plan and Announce
- **Phase 2** – Educate
- **Phase 3** – Enroll
- **Phase 4** – Engage
Phase 1 – Plan and Announce
6-12 Months Prior to Implementation

GOALS

• Build support among leadership and board members

• Raise general awareness about benefit changes and strategy

• Demonstrate senior management commitment

• Develop a unique Communication Plan

• Employee Announcement
Phase 1 – Plan and Announce
6-12 Months Prior to Implementation

ACTIONS

• Schedule on-site or on-line meetings with leadership team and department heads
• Share claims utilization information
• Review and select Tool Kit materials that will explain plan and advantages
• Provide links to web-site where employees can find more detailed information
• Distribute introductory material to employees using existing communication channels
Phase 2 – Educate
3-6 Months Prior to Implementation

GOALS

• Develop employee awareness

• Communicate CDHP details

• Increase employee interest - Provide on-going communication

• Make employees more comfortable
Phase 2 – Educate
3–6 Months Prior to Implementation

ACTIONS

• Provide employees with an overview of current plan costs

• Begin communication campaign emphasizing CDHP benefits

• Host employee information sessions with open Q&A

• Create claims example comparisons based on current plan vs. new plan

• Highlight online tools and resources
Phase 3 – Enroll
1-3 Months Prior to Implementation

GOALS

• Communicate final CDHP details

• Provide a positive and easy enrollment experience

• Encourage enrollments in the CDHP plan

• Help employees understand if the CDHP is right for them
1-3 Months Prior to Implementation

Phase 3 – Enroll

ACTIONS

- Deliver educational materials
- Hold enrollment meetings
- Promote resources available online
- Allow time for employees to meet individually with knowledgeable benefit counselor
- Provide easy, convenient enrollment methods
Phase 4 – Engage
Post Implementation

GOALS

• Help employee gather greater understanding of their CDHP

• Keep employees engaged with ongoing support and preparation for next year’s plan

• Remind employees how to optimize their CDHP

• Promote health and wellness
Phase 4 – Engage

Post Implementation

**ACTIONS**

- Develop communication and training schedule for entire year
- Continuously remind employees how to benefit from CDHP
- Gather and Provide “testimonials” to help support consumerism type behavior
- Showcase on-line tools to help support your goals
Keys to Success

- Determine level of benefits needed to recruit/retain employees
- Provide a menu of employee benefit options
- Set employer contributions on cost-saving plans to incentivize enrollment
- Motivate employees to “own” their personal health status
- Develop a wellness committee
- Provide access to tools to support program
- EDUCATE, EDUCATE, EDUCATE
Pierce Group Benefits can help you implement the right health plan for your organization.

www.PierceGroupBenefits.com

888-662-7500

Donna Nixon,
Vice President of Group Benefits
dnixon@piercegroupbenefits.com