

Benefits Insights

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Consumer Driven Health Plans and the Current State of Consumerism

In the broadest sense, health care consumerism has always been about empowering health care consumers to select more cost-effective, appropriate care. Specifically, consumer driven health plans (CDHPs) aim to achieve the following goals:

- Help employees become active participants in their health care decision-making rather than remaining passive.
- Encourage employees to spend their health care dollars wisely by seeking care from providers who are cost-efficient and provide quality care.
- Help employees take charge of their health by helping them understand their conditions and treatment options, and change their behaviors to eliminate unnecessary health risks.

Importance of Employee Engagement

Beyond understanding the cost of health care, many employees are not engaged in taking charge of their health. One example is the growing prevalence of obesity in the United States. According to the Centers for Disease Control and Prevention (CDC), more than one-third of adults in the United States are obese.

Employee behavior and lifestyle are significant factors in health status—often trumping genetics, the environment or access to care—and can have a huge impact on the cost of health care. Employers, who pay the majority of their employees' health care costs, have an enormous stake in engaging their employees in their own health care.

Studies have shown that behaviors can be modified through the use of workplace wellness programs. These programs can motivate employees to eat healthier, exercise more and stop smoking—all of which can help reduce future medical costs. CDHPs encourage employees to take charge of their own well-being and spend their health dollars wisely.

HSA vs. HRA

Most employers offer CDHPs in conjunction with a health care account. These accounts take two forms: a health savings account (HSA), which is opened by the employee and can be funded by both the employer and the employee, or a health reimbursement arrangement (HRA), which is owned and funded only by the employer.

Both HSAs and HRAs are tax-advantaged. For HRAs, employer contributions do not have to be included in the employee's gross salary; therefore, contributions are not taxed. For HSAs, the amount the employee contributes is tax-deductible and not included in the employee's gross wages. Furthermore, interest earned in an HSA account is not taxable. Unspent funds in both types of accounts can be rolled over from year to year. Most employers do not make HRA accounts portable; however, individuals participating in HSAs may retain their accounts if they leave their employers.

Although both types of accounts are still offered, HSAs seem to be edging out HRAs in terms of popularity. Issues such as portability, ownership and contribution flexibility can all be cited as possible reasons for this shift.



Contribution Levels

In an effort to encourage employee participation and engagement, some employers contribute to their employees' health plan accounts, although the amounts they contribute can vary widely.

Increasing the Success of Your CDHP

The success of your CDHP is largely dependent on clear, consistent communication. Employees are often skeptical to enroll in a CDHP for a variety of reasons, including concerns about higher out-of-pocket costs, misinformation, lack of understanding, or reluctance to switch from a traditional plan that is comfortable and familiar. In order to minimize these concerns, employers should communicate early and often and explain that CDHPs are meant to help employees take control of their health. Also, make sure to focus on the lower monthly premiums associated with CDHPs and the tax benefits of HSAs and HRAs.

To achieve buy-in, communication regarding health care consumerism should resemble a marketing campaign more than a typical HR information campaign. Incorporate sufficient lead time into communication efforts to ensure maximum traction. Use a variety of communication methods, such as handouts, emails, videos, face-to-face meetings and presentations. Repeat key messages to ensure sufficient exposure and understanding.

In addition, employees need education on how to use a CDHP, as these plans differ significantly from traditional health plans that employees are familiar with. For example, teach employees when it is appropriate to go to the doctor's office, urgent care or the emergency room, so they can reduce their out-of-pocket expenses. Other beneficial topics may include highlighting the benefits of generic medications and the higher costs and restrictions associated with out-of-network care. This education should begin during open enrollment and continue throughout the year so your employees can become smarter health care consumers.

Having the right information regarding CDHPs will give employers valuable assistance in designing a plan and effectively communicating it. Survey employees before implementing a CDHP to discover what current perceptions and knowledge are, so you can target the areas that need clarification. In addition, re-surveying employees after

implementation will provide an assessment of where gaps in understanding remain, how effective your initial communication efforts were, and how plan design and communications can be modified for the future.

Summary

CDHPs offer an intriguing option for long-term improvement and cost savings—so much so that many employers across the nation either have already implemented CDHPs or are considering doing so. To learn more about setting up a CDHP, contact BBP Admin today.



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