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Consumer-Directed Health Plan Employee Education

A consumer-directed health plan (CDHP) doesn't necessarily mean a high-deductible health plan (HDHP), but frequently that's where a CDHP starts. Once the employer is sold, it's time to start employee education. Unfortunately, there is employee misunderstanding about HDHPs, and it's time to clear it up.

I was introduced to HDHPs with the launch of medical savings accounts (MSAs) in 1996. I not only thought about my health coverage but also about my car and home owners insurance. Was I over insured? Was I paying for services I didn't use?

I thought I was a pretty smart consumer. I clipped coupons, watched the sales ads in the newspaper, and bought my wrapping paper and cards after Christmas. Although my employer at the time didn't offer an MSA-compatible health care policy, I increased the deductible on my car and home owner's insurance policies to lower the premiums. By comparing my out-of-pocket costs between the policies, the higher deductible just made sense. This is the same strategy employees should take with their health care decisions today.

Agents and brokers work with employers to help them provide the best products for their employees. With a goal of keeping health care costs reasonable, an HDHP can help both the employer and the employee afford health care benefits. Once the employer has made the decision to move to a higher-deductible insurance product, the employee education process begins.

Make sure employees have all the facts

they need to make an informed decision. They need details about each health care plan being offered, detailed medical expense history for each family member and a worksheet for comparing their out-of-pocket costs for the various plans. I'll go through the considerations for an employee worksheet a little later in this article.

Your goal is to break through the myths and get rid of "I don't think I can afford that deductible," or "I feel like this will be more expensive if I get sick" objections. It's a matter of making an informed choice based on real numbers.

Summary of Employee Benefit Plans. This is an outline of what each medical benefit offers. Things like deductibles, co-payments, coinsurance, wellness benefits and prescription drug coverage are discussed. Once employees read their new enrollment summary of benefit descriptions and make a side-by-side comparison, their answer for health care coverage is generally clear.

Medical Expense History. Start with the facts. Have participants write down the expenses they incurred in the last 12 months. If they can't remember every prescription and doctor's office visit, participants can get this information from their insurance carrier's website. Have them download the previous year's costs for each family member, because personal history is important when factoring in individual and family deductibles.

Be sure employees compare apples to apples. For instance, some HDHPs provide wellness benefits. The deductible is waived

and the plan pays 100 percent for routine physical exams, immunizations, hearing and eye exams, and preventive health care services. A doctor's office visit last year that required a co-payment may be free this year.

Comparison Worksheet. This is the part where employees are provided with a form to organize the information they have collected. It should have headings similar to the following bullet points in order to include all the pertinent items for comparison.

- **Premiums.** Just the employee portion; this is where they might see a huge difference in their out-of-pocket expenses. Let's say that family coverage is \$450 for the low deductible and \$170 for the high deductible health plan per month. By switching to the high deductible, the participant would start out with a \$3,360 savings.

- **Prescriptions.** Compare prices; this is one area where participants feel they can "shop." They may not change physicians based on price, but they will change where they get their prescriptions filled. To find out the full price of current prescriptions, employees need to call their pharmacy or take a list of their medications to other pharmacies. And don't forget to check out the big box stores like Sam's Club and Costco.

- **Mail Order Prescriptions.** Mail orders for prescriptions that require a co-payment may be less expensive than buying them from a local pharmacy or drug store.

- **Over-the-Counter Medications.** Recurring over-the-counter medications should be noted. Although not paid through insurance, the participant needs this information to determine their contributions to either a flexible spending account (FSA) or a health savings account (HSA).

- **Doctors' Office Visits.** Separate wellness from illness-related visits. The wellness visits may be provided at no cost to the participant from the HDHP.

- **Network Pricing.** Even with a higher-deductible plan, the claims still go through the carrier for pricing.

- **Deductible.** Individual coverage may kick in when the individual deductible is met before the family deductible is reached. It's also important to know whether the deductible expenses go to-

ward the maximum out-of-pocket.

- **Maximum Out-of-Pocket.** Participants do not want any surprises here. Make sure they know the maximum out-of-pocket amount for each plan and point out that

some policies do not count their deductible toward the maximum out-of-pocket limits.

- **Total It Up and Compare.** With all the numbers in place, the employee will have concrete facts to help him in his decision on

Chart 1
Benefit Comparison Chart

	Flexible Spending Account	Health Savings Account
Pre-Tax Employee Contributions	Yes	Yes
Employer Contributions	Optional	Optional
Maximum limit on contributions	No ¹	Yes ²
Entire Election Amount Available at Beginning of Plan Year	Yes	No
High-Deductible Health Plan Required	Optional	Yes ³
Claims Are Required	Yes ⁴	No ⁵
Benefit Payments Are Tax Free	Yes	Yes
Pays All IRS Code Section 213(d) Expenses	Yes	Yes
Pays LTC Expenses or Insurance	No	Yes
Employees Carry Over Unused Amounts	Optional ⁶	Yes
Benefit Can Pay for Health Insurance	No	Yes
Employee Can Take to New Employer	No	Yes
Employee Can Use at Retirement	No	Yes
Use Debit Card for Eligible Expenses	Yes	Yes
Cash Available for Non-Medical Expenses	No	Yes ⁷
Interest/Dividends Paid on Account Balance	No	Yes
Can Change Payroll Deduction Any Time	No	Yes

1. IRS does not limit. Employer sets plan limit.

2. IRS-imposed limits for 2010: Annual limit of \$3,050 for single coverage and \$6,150 for family coverage if HDHP coverage begins by December 1. Catch-up contributions for those 55 and over \$1,000.

3. IRS-imposed limits for 2010: Minimum deductible of \$1,200 with maximum out-of-pocket expenses of \$5,950 for single coverage and a \$2,400 minimum deductible with maximum out-of-pocket expenses of \$11,900 for family coverage.

4. Certain debit card swipes may not require a claim form and receipts to be submitted if electronically adjudicated.

5. Payment substantiation upon audit of IRS Form 1040.

6. Employers may elect a 2½ month "grace" period for employees to use leftover funds from a previous plan year to pay for expenses incurred in a new plan year.

7. Tax and penalties may apply to non-medical withdrawals.

a health care product.

- **Encourage participation in an HSA or an FSA, as applicable.** Provide the "benefit comparison" (shown in Chart 1 on page 68)) for easy distinctions between HSAs and FSAs.

Making the CDHP Complete

When helping employers build a plan that is best for them and their employees, the CDHP is not complete without a choice of "side account" benefits. An FSA or an HSA will enable employees to pay for out-of-pocket medical expenses with pre-tax dollars.

The employee may have questions about the differences between an HSA and an FSA. They both pay for out-of-pocket medical expenses on a pre-tax basis. Some con-

cerns employees have are the differences each benefit provides as to the availability of funds or access to their account at a later date. Chart 1 may help them make an educated assessment.

Decision Time

Regardless of what the numbers support, employees have personal reasons for their choices. Some employees prefer to enroll in an FSA rather than an HSA, even if they enroll in a qualified HDHP. They know that by participating in an FSA their expenses will be reimbursed in full by the employer at the beginning of the plan year, regardless of their account balance. They also may not want the hassle of keeping track of another account or the extra form on their 1040 filing required by HSAs.

Also, families with young children may be more comfortable with a lower deductible health plan. It's harder for them to predict future health care expenses, and they feel more comfortable with a set co-payment amount for doctor visits and prescriptions.

That's what puts "consumer-directed" in consumer-directed health plans. There are solutions for each employee and his personal needs. Your job is to give them the best tools available so they make decisions that are right for them and their families. 🌐

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