



Innovative Ways to Surf the Consumer Directed Health Plan Wave

With healthcare costs soaring and a stark economy, employers are turning to high-deductible health plans (HDHPs) to help stem the rising tide of healthcare expenses.

However, that's not the end of the story, it's just the beginning. Once an employer decides to move to an HDHP, there are lots of questions they need to consider and then take action. As a trusted adviser you need to know which questions they should be asking and be able to supply workable solutions.

Studies show that by implementing an HDHP, employers can reduce healthcare costs. On the other side of the scale rests employee well-being. No employer wants to sacrifice employee health. So where's the balance?

This article is about how to find that balance. You can do that by keeping it simple and educating employers and employees.

First, let's break down the nature of medical expenses and then investigate what insurance might cover and the employee's responsibility. Then we'll talk about some options for how employees can pay for these expenses and how the employer can help.

Medical Expenses

Typical medical expenses can be broken down into a few major categories:

- Prescriptions
- Medical expenses subject to the deductible of the health plan
- Over-the-counter medicines and supplies
- Other medical expenses like dental and vision fees – with their associated healthcare products

Keep in mind that these are broad descriptions of medical expenses, and certainly don't cover items like hospital visits and expenses associated with extensive illnesses. These are the expenses encountered most often by the majority of employees.

Now let's break down the medical expenses and determine who will ultimately be paying these expenses:

- Prescriptions – Insurance carriers after co-payment/co-insurance or deductibles are met. Employee may pay the entire amount, until the deductible is met.
- Medical expenses until health plan deductible is met – Employee
- Over-the-counter medicines and supplies – Employee
- Other medical expenses like dental and vision fees – Employee pays unless included in health plan or voluntary products are offered

As with most insurance products there are employee out-of-pocket expenses associated with HDHPs. By using simple math the employer can see that employees are hard hit with the installation of a higher-deductible health plan.

So, how can the employer help with these expenses and where does the money come from?

Simplify Choices for Employers

Many employers are turning to a consumer directed health plan (CDHP) model to reduce their growing healthcare costs. That's because higher-deductible health plans can mean lower premiums. But it also means higher out-of-pocket expenses for employees.

To take the sting out of higher deductibles, many employers are coupling their health plan with "side accounts" to help pay the expenses that the health plan does not cover. These side accounts can be employer funded, employee funded, or a combination.

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First, take the employer through the list of expenses we outlined previously. Determine which of those expenses, and to what extent, the employer is willing to pay. The employer decides how much to allocate for each expense and to each employee. They may choose the same amount for everyone or more for those with family coverage.

Use the table shown below to help the employer chart the direction of their CDHP. In other words the employer decides who will pay for which expenses.

Healthcare Expenses	Pay from employer dollars	Pay from employee dollars	Which account pays this expense first?
Prescriptions	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> Employer <input type="checkbox"/> Employee
Medical expenses subject to the deductible of your health plan	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> Employer <input type="checkbox"/> Employee
Over-the-counter medicines and supplies	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> Employer <input type="checkbox"/> Employee
Other IRS qualified medical, dental, vision fees, and healthcare products	Yes <input type="checkbox"/> No <input type="checkbox"/>	Yes <input type="checkbox"/> No <input type="checkbox"/>	<input type="checkbox"/> Employer <input type="checkbox"/> Employee

Simplify Choices for Employees

Once the employer determines the extent to which they will help employees with costs associated with meeting their health plan deductibles or other healthcare related expenses, it is important to communicate with employees. It must be made clear to employees which expenses they will be liable to pay, and which expenses and to what extent the insurance plan or employer will cover.

Really simplify things for employees by connecting them to their specific plan design with a targeted flex benefit debit card. These flex benefit cards know which expenses are eligible under their plan and if the employer or employee foots the bill.

The RX Card

Used at pharmacies and drug stores, the RX Card is limited to purchasing only prescriptions and will not allow the purchase of other items. Whether prescriptions count toward the health insurance deductible or the health plan calls for co-payments or co-insurance, the RX Card is a great solution.

The Pharmacy Card

Used at pharmacies and drug stores to purchase prescriptions and over-the-counter medicines and supplies. This card automatically knows which items are IRS qualified and will not pay for other items sold at drug stores, grocers, and superstores that accept the Pharmacy Card. The Pharmacy Card takes the RX Card to the next level.

The Total Healthcare Card

This card enables the participant to purchase all "medically necessary" services and items. This list of expenses includes prescriptions and over-the-counter medicines and supplies, plus qualifying vision and dental expenses. Of course, the employer will set a limit on how much they will contribute and leave the remainder up to the employee. The Total Healthcare Card is a complete solution.

Medical Expenses Subject To the Deductible

The employee is responsible for the medical deductible expenses. This amount can be automatically paid - with employer or employee funds - based on the explanation of benefits (EOB) submitted electronically by the insurance carrier to the Plan Service Provider (PSP).

Why make the employee turn in a paper claim for something the insurance carrier already knows about? Request that insurance carriers send EOB information to PSPs for automatic participant reimbursements.

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FLEXFLASH

This outlines a comprehensive card program that makes this benefit easy for employers and employees to use. Simple rules with predictable results.

Who Pays and How Much?

To set up a program that's right for your client, answer two simple questions: "Who pays which medical expenses?" and "How much funding will the employer make available?" Position yourself as the "go to" person. You have the answers. In fact, now you have the questions to ask that guide your clients to a successful outcome.

It's Never Too Late

Maybe the employer moved to a high-deductible healthcare plan this year. Employees were a little startled and now the employer is hearing some grumbling. It's never too late to give them a little help with those extra out-of-pocket expenses. Set up a CDHP to reimburse employees for their prescriptions, co-payments, and healthcare expenses that go toward their deductible. ○

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