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Consumer-Driven Health Plans: Empowering Employees to Make the Best Decisions

DARYL ASHLEY

Consumer-driven health plans (CDHPs) continue to gain popularity as organizations of all sizes seek ways to control health care costs. Many employers believe that these plans will reduce costs by making their employees smarter consumers of health care. Yet, employees are often not provided with the tools they need to make the best decisions, and this can, in turn, result in costly choices that ultimately negate the cost reductions anticipated in the first place.

Health care insurance providers and employers alike acknowledge that the variety and complexity of health care plans can be daunting. While CDHPs often give employees greater variety among benefits and providers, these plans also expose them to increased financial risk, especially if they select the wrong plan for their needs.

DECISION-SUPPORT TOOLS

Employers electing to offer CDHPs are essentially asking their employees to get into the driver's seat and share a greater percentage of the costs while also getting more involved in their own health care. Usually designed as a high-deductible managed care plan coupled with an employer-funded reimbursement account for each employee, many of these plans are comprised of a health reimbursement arrangement (HRA) or health savings account (HSA), group health coverage, and online decision-support tools. Arguably, the last item can be the most important to a successful CDHP for both the employer and employee.

Despite the efforts of employers to provide a selection of health plans and programs for employees, coupled with elaborate communications plans, many HR departments are still faced with a myriad of questions from employees. While providing employees with a link to the online self-service enrollment site makes it easier for them to click, review, and enroll, these sites are often not equipped with decision-support tools that empower employees to be educated health plan consumers and to make the best benefit choices for their individual needs.

Best practice organizations understand that the success of CDHPs depends largely on providing employees the Web-based decision-support tools needed to research and select network offerings and benefit packages. These tools, similar to what employees are already familiar with as they invest or book travel online, enable employees to actually gain visibility into what their health care costs will be and give them the power to better manage those costs. When coupled with the well-researched benefit options presented by employers, these tools greatly raise the probability of CDHP acceptance and enrollment.

These online tools also help educate employees, enabling them to become better health care consumers. By making it easier for employees to understand their health care options, they can automatically take an active part in controlling health care costs. Typically, this suite of online tools is available via a decision support center containing modules that are designed to take employees through processes and exercises that will enable them to make informed enrollment decisions based on personalized preferences about their health care benefits.

THE PREFERENCE MODULE

Best-in-class decision support centers contain a preference module that steps employees through a questionnaire to help them ascertain their personal needs and then ranks those medical plans that best meet these needs. The preference module should include easy-to-follow screens that enable employees to select the plan attributes that are most important to them, such as service and prescription drug costs, as well as access to physicians and specialists. Subsequently, the module should pose hypothetical scenarios to the employee, asking them to rate the importance and tradeoffs of attributes including the amount of monthly contribution required and associated out-of-pocket costs. The results of the employee's preference selections should display at the completion of the module rated by scores indicating how well each offered plan matches to the employee's responses.

■ Focus On...

Medical cost calculators are not only extremely beneficial in the selection of the most appropriate medical, dental, life, and disability plans, they can also help employees determine if an HSA, HRA, or flexible spending account (FSA) is the best choice to pay for their out-of-pocket expenses. These calculators can also determine how much is needed in the account to cover all anticipated expenses for the year and the possible tax implications of each account.

HSAs are typically available for employees who enroll in a high-deductible health plan (HDHP), such as a CDHP, and are not Medicare enrolled, covered by another health plan, or claimed as a dependent. HSAs allow employees or their employers to contribute pre-tax dollars to the account, not exceeding \$2,500 per year for a single person and \$5,000 for a family. HSAs are portable from employer to employer, and the funds can be used to pay for plan deductibles and/or qualified medical expenses that do not count towards the deductible. These accounts earn tax-free interest and any unused funds can be carried over from year to year.

HRAs, on the other hand, are employer-created spending accounts that employees draw from for

health care purchases. Although created in 1954, HRAs were previously almost nonexistent at many organizations but are gaining in popularity. Funds in an HRA can also be used to pay for health plan deductibles and/or qualified medical expenses that do not count toward the deductible. More commonly offered by larger employers, HRAs do not earn interest and the funds are forfeited if the employee switches health plans or leaves their current employer.

In addition, FSAs are an employer-sponsored benefit that allows employees to pay for eligible medical expenses on a pre-tax basis; many employers also offer similar accounts for dependent and child-care expenses. While FSAs can benefit the bottom line of employees by reducing their income taxes, employees can also lose money with these accounts because they must forfeit unused funds at the end of the year. For this reason, and because the funds for this account are contributed through an annually determined payroll deduction, employees need to carefully consider their contributions. A medical cost calculator is an extremely valuable tool for employees considering an FSA so that they can anticipate

out-of-pocket expenses as accurately as possible to put aside enough to cover them, without contributing more than is needed.

CONCLUSION

Given how personal health care choices are, the best people to make those decisions are the consumers themselves. It is equally important for employers to arm employees with a selection of plan options as well as the educational tools needed to help them make the best decisions. Web-enabled, self-service solutions, including decision-support centers and medical cost calculators, provide employees with a better understanding of their preferences and decisions. Enabling employees to become better health care consumers not only saves money for all involved parties, it also ensures that employees will be more satisfied with their chosen plan and receive health care tailored to their needs. 🌐

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