

Educational Presentation: **High Deductible Health Plans (HDHP)**

City of Boston – PEC Meeting

January 14, 2014

Discussion Topics

- Consumer Driven Health Care (CDHC)
- High Deductible Health Plans (HDHP)
- Tax Protected Accounts
- Member Engagement Tools

Extent of Consumerism



**Traditional
Health Plan**
(City Current Plans)

(City Current Plans)
Health Plan

**Tiered
Networks**

Networks

HDHP
(HSA qualified)

(HSA qualified)
HDHP

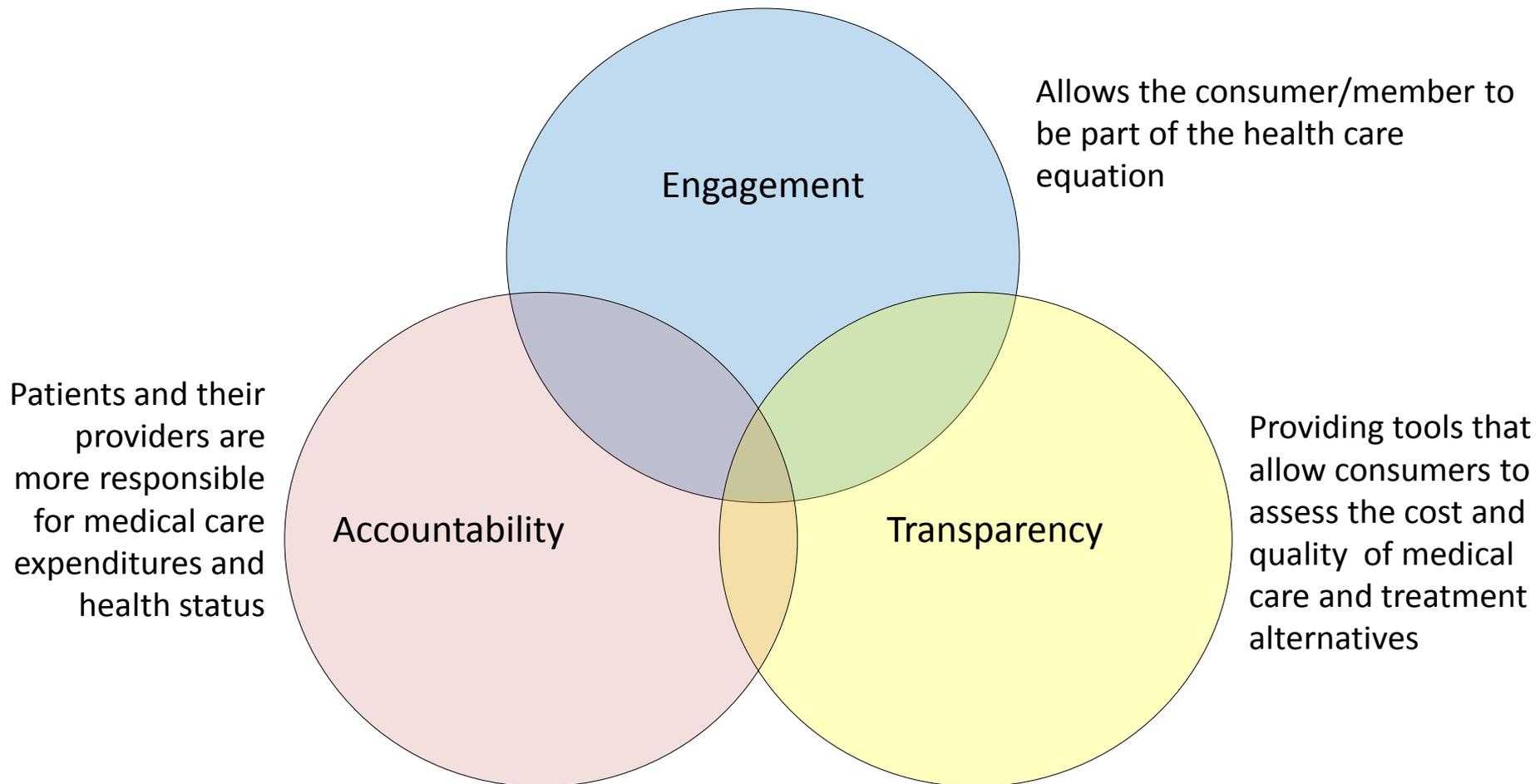
**Defined
Contribution
Health Plan
approach**

Defined
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Health Plan
approach

High Deductible Health Plan (*a.k.a.*, Consumer Driven Health Care)

- Designed to encourage and facilitate informed participant decisions on obtaining health care and to encourage participants to maintain/improve their own health.
- High deductibles enable participants to be aware of the cost of services
- Tools, such as pricing and quality information, are essential features of a CDHP designed to assist members in making informed decisions
- Tax Protected Accounts (FSA, HRA, HSA) offset some of participant out-of-pocket costs

High Deductible Health Plan (*a.k.a.*, Consumer Driven Health Care) cont.



Health Plan Deductible

A deductible is the fixed amount a member pays for services before the health plan pays.

- Deductibles are typically set per individual and per family
- In-network deductibles are separate from out-of-network deductibles

ACA Impacts on Deductibles

Preventive Services with no cost sharing:

- Preventive Services for Adults
- Expanded Preventive Services for Women
- Preventive Health Benefits for Children
- Immunizations must be covered

Sample Plan Design Comparison

	City's HPHC HMO	Sample Traditional Plan with Low Deductible	Sample High Deductible Health Plan (HSA qualified)	
Deductible (<i>per calendar year</i>)	None	\$250 Individual, \$500 Family	\$1,250 Individual, \$2,500 Family	
Coinsurance	None	None	10% co-insurance (plan pays 90%)	
Out of Pocket Maximum	None	\$6,350 Individual, \$12,700 family	\$6,350 Individual, \$12,700 family	
Preventive Care Visits & Health Screenings	\$0 per visit	\$0 per visit	\$0 per visit (covered in full)	
Primary Care Provider Office Visits (Medical/Mental Health/Substance Abuse)	\$15 per visit	\$15 per visit	SUBJECT TO DEDUCTIBLE AND COINSURANCE (HSA can be used to pay OOP costs)	
Specialist Physician Office Visit	\$25 per visit	\$25 per visit		
Physical Therapy	\$15 per visit for up to 90 consecutive days	\$15 per visit for up to 90 consecutive days		
Inpatient Hospital Care (Medical/Mental Health/Substance Abuse)	Covered in full	\$300		
Outpatient Surgery	Covered in full	\$150		
High-Tech Imaging (e.g., MRI, PET, CT scans)	Covered in full	\$100		
Emergency Room	\$100 per visit (waived if admitted)	\$100 per visit (waived if admitted)		
Prescription Drugs	Retail Tier 1: \$10 Tier 2: \$25 Tier 3: \$45	Mail Tier 1: \$20 Tier 2: \$50 Tier 3: \$100		Retail Tier 1: \$10 Tier 2: \$25 Tier 3: \$45

Tax Protected Accounts

Accounts exempt from federal income taxes and created to assist members with cost sharing responsibilities

	Health Savings Account (HSA)	Health Reimbursement Arrangement (HRA)	Flexible Spending Account (FSA)
Account definitions	A tax-advantaged account used to pay for qualified medical expenses of the account holder, spouse, and/or dependents	An employer-funded arrangement used to reimburse employees for out-of-pocket qualified medical expenses	An employer-established, tax-advantaged account funded by the employee to pay for qualified medical expenses with pre-tax dollars
Who can open the account?	The employee or employer as long as the employee is enrolled in an HSA-eligible health plan (i.e. HDHP)	The employer	The employer
Who can contribute?	Employers, employee/account holder, or any third party	The employer	The employee and employer
Who owns the account?	The employee/account holder	The employer	The employee, but all account balances revert back to the employer at the end of the plan year/pay-out period

Health Savings Account (HSA)

- Can only be paired with a qualified HDHP.
- A financial account that can be used to accumulate tax-free funds to pay for qualified health care expenses, as defined by the Internal Revenue Service.
- The account acts like a regular checking account with a debit card and can accrue interest.
- All money in the account is owned by the employee and is fully vested as soon as it is deposited.
- Funds can accumulate over time (no “use it or lose it rule”) and the account is portable among employers.
- Money can be used for expenses other than qualified health care expenses, but the distribution will be taxable and subject to a 20% penalty.

2014 Minimums and Maximums for HDHPs and HSAs

	Individual Coverage	Family Coverage
Minimum HDHP Deductible	\$1,250	\$2,500
Maximum HDHP Out-of-Pocket Expense	\$6,350	\$12,700
Maximum Annual HSA Contribution*	\$3,300	\$6,550

* Contributions can be made by the employer, employee, or both.

* Employees age 55 or over can contribute an additional \$1,000 to their HSAs.

Member Engagement Tools

- Engages members in their own health care decisions
- Allows members to compare cost information and quality ratings
- Empowers members so they can save money and make smarter choices
- Gives them the option to participate in online wellness programs

Health Tools – currently available on most health plan websites for all members regardless of what type of plan they are enrolled in:

- Online Health Assessment
- Online Coaching
- Online Health Programs

Member Engagement Tools cont.

Cost Comparison Tools – available to members enrolled in consumer driven health plans, including high deductible health plans:

- Out-of-pocket Calculators
- Care Comparison Tools
- Quality Scores
- Online Prescription Drug Pricer
- Online Claim Detail
- 24/7 Online Health Account Management

HPHC – “Now iKnow” Tool*

Available through the member’s secure HPHC Connect account, this innovative tool provides:

- Comparative cost and quality information, updated monthly, for our network of New England providers
- Estimates for more than 1,000 services and conditions, based on the member’s specific plan
- Physician and hospital quality ratings based on national benchmarking data
- Up-to-date cost-sharing information for the member’s specific plan, such as deductible requirements

Using online tools, members choose how much they are willing to pay for services:

Service or procedure	Lowest price	Highest price	Savings
Dermatology office visit	\$83	\$351	\$268
MRI – lower back	\$339	\$2,587	\$2,146

*Now iKnow is in pilot stages and is expected to be rolled out in the next few months.

Example: Bob is enrolled in an High Deductible Health Plan as an Individual.

- The plan is HSA qualified, and matches the sample plan on slide #7
- Deductible of \$1,250
- Plan out-of-pocket maximum of \$6,350
- Member pays 10% co-insurance after deductible
- HSA funded at \$1,250
 - City funds \$625 into his Health Savings Account (HSA)
 - Bob contributes \$625 to his Health Savings Account (HSA)

Bob's experience in the HDHP with HSA

- In July, Bob has an annual physical**

Service	Plan Pays:	Bob Pays:
Annual Physical	100%	- 0 -

- In August, Bob twists his ankle**

Service	Plan Pays:	Bob Pays:
Office Visit (sprained ankle, broken?)	- 0 -	100%, uses HSA
X-ray (not broken)	- 0 -	100%, uses HSA
Rx	- 0 -	100%, uses HSA
Physical Therapy Visits	- 0 – then 90% after Bob meets deductible	100% using HSA , then 10% after he meets his deductible

- Based on services provided year-to-date, assume Bob has paid his entire \$1,250 deductible using his HSA.**

Bob's experience in the HDHP with HSA cont.

In November, Bob has his appendix removed on an emergency basis

Service	Plan Pays:	Bob Pays:
Emergency room	90%	10% co-insurance
Surgery	90%	10% co-insurance
Hospital stay	90% (100% once Bob has paid the \$6,350 out of pocket)	10% (0% once Bob has paid the \$6,350 out of pocket)