THE GROWING ROLE OF CONSUMER-DRIVEN HEALTH PLANS
THE HEALTH CARE INDUSTRY FACES A LOT OF UNCERTAINTY

It’s still unclear what can or will change with government-issued health care reform. This situation makes it difficult for business owners to plan their benefits because no one knows what the future will look like. However, while many business insurance plans could change, consumer-driven health plans (CDHPs) look like they’ll remain mostly the same and could take on an even more important role as a cost-saving measure in a world where there’s less certainty than ever before.

In this whitepaper, we take a look at how these plans work, how they could be impacted by political changes and ways to find an effective CDHP for your organization.
CONSUMER-DRIVEN HEALTH PLANS

What's a consumer-driven health plan and is it a good fit for your organization? Let's look at the basics:

CDHP Details

A CDHP is a combination of a high-deductible health insurance plan with a health care savings account, such as a health savings account (HSA), a health reimbursement account (HRA) or a flexible spending account (FSA). Depending on how you set up your plan, either the company provides money for their accounts or employees contribute money from their paychecks. They can use this money to pay for medical bills, including deductibles and copayments.

If an employee ever runs into serious health issues, they eventually pay the full deductible of the high-deductible plan. After the deductible is met, the health plan will cover all their bills for the rest of the plan year.

CDHPs have become much more popular over the past decade. In 2016, 29 percent of employees were covered by an employer-sponsored health plan were in a CDHP, according to a survey by Mercer.¹ In 2006, only 3 percent were part of a CDHP.
Savings Plan Types

Any CDHP must include a savings account such as an HSA, HRA or FSA. In some cases, your employees can earn tax-free interest on their savings. They can spend the money on qualified medical, dental and vision expenses. If employees take money out for non-qualified expenses, they could owe a penalty to you or the IRS. This is what each combination provides:

**HSA**
Both you and the employee can add money to their account, and they get a tax deduction for adding money. The employee keeps whatever they don’t spend each year for the future, and they can use the plan to save for retirement. Once they turn 65 years old, they can spend their HSA balance on anything without penalty. Also, an employee can keep their HSA when they leave the company.

**HRA**
You add money for every employee. Typically, they must spend all their money by the end of the plan year, but some employers allow it to build up year after year. When an employee leaves the organization, they forfeit the unspent balance.

**FSA**
A combination of the two, both parties can add money to the account with employees receiving tax deductions for contributing their own funds. All of their money must be spent by the end of the year to avoid forfeiture. However, you can set a limited carryover where they keep up to $500 of unspent funds. You can set up an FSA to allow non-medical expenses, such as paying for childcare.

New HSA Limits

The IRS released the 2018 figures for HSAs in Revenue Procedure 2017-37. These higher limits are another big reason many employers are offering CDHPs.

### Health Savings Account (HSA)

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CDHP Benefits

A CDHP costs less than a traditional health insurance plan. You still provide employees coverage while saving money, an important concern as health care costs keep rising. It’s a good alternative for companies struggling with the cost of traditional insurance. Mercer found that, on average, it cost 22 percent less to cover employees under a CDHP versus a PPO in 2016 ($9,551 per employee for the CDHP versus $12,235 for the PPO).\(^4\)

Additionally, these plans give your employees more control over how they spend their health care benefits. They can also use the money in their savings plans to pay for glasses, prescriptions, dentists and other medical bills. Young people get more out of a CDHP because they don’t have major medical bills but still need this routine care.

Finally, a CDHP encourages people to make smarter, cost-effective decisions for medical care. Since employees are paying bills out of their medical savings account, they save money when they spend less. For example, they can purchase the generic version of a drug rather than the more expensive, brand-name version. Traditional insurance doesn’t have the same incentive since it covers treatment at a flat rate.

The National Bureau of Economic Research found in the three years after companies switched to a CDHP, the growth in employee spending on pharmaceuticals was 5 percent to 9.5 percent lower compared to firms that didn’t offer a CDHP.\(^5\) Spending growth on outpatient care was 3 percent to 6.8 percent lower after the switch.

CDHPs and Your Workforce

A CDHP works best for a younger, healthier workforce. When most of your employees are in pretty good shape, they don’t always use the expensive benefits of a traditional health insurance plan. This means you’re paying extra for a benefit they don’t really use. A CDHP provides your employees more flexibility with how they use their health care benefit while still protecting them against catastrophic expenses.

On the other hand, if you have an older workforce with more health issues, think closely before dropping traditional insurance. These workers are more likely to have problems that would make the high deductible on a CDHP an issue.

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Traditional workplace insurance could go through many changes during the next few years. However, CDHPs look like they’ll stay the same and could even expand. Here’s what we know.

Expanded use of CDHPs

The federal government hasn’t announced any major changes for CDHPs. In fact, one of their health insurance goals could make CDHPs an even better workplace benefit.

In this scenario, limits for both families and individuals would increase, allowing your employees to receive a more significant tax break while using a CDHP.

CDHPs control costs by providing employees increased spending responsibility.

Medical Cost Increase Solution

The U.S. is still searching for a solution to rising medical costs. From 2011 to 2016, family premiums for a workplace plan increased by 20 percent, a report from the Kaiser Family Foundation explained. CDHPs charge a lower premium and through these plans, employees can control their costs through increased spending responsibility. They benefit when they save money and need to pay more for overspending. This provides more of an incentive to compare prices, not just automatically signing up for the most expensive procedure. It also uses more preventive care to stay healthy.

It seems like CDHPs will take a bigger role out of a necessity, and you can see this trend with company health insurance plans. In 2014, 20 percent of employees with workplace coverage used a high-deductible health insurance plan. In 2016 this rose to 29 percent, according to the aforementioned Kaiser Family Foundation report.
FIND AN EFFECTIVE CDHP

Not all CDHPs are made equally. Research your decision to find the best plan for your organization. Here are a few factors to watch out for.

Easy Options

Your employees won’t get the most out of a complicated plan they don’t understand. Since a CDHP has an extra step compared to traditional insurance — coordinating the savings account with the health plan — it can be more complicated.

Your CDHP should make this transition simple. For example, Anthem’s Act Wise CDHP lets employees view all their accounts through one mobile and online platform. They can see everything at once and don’t need to use multiple logins or apps.

The plan also comes with just one debit card, even if you use multiple savings accounts for your plan, such as an FSA and an HSA. Other plans use a separate card for each savings plan, which makes it more complicated for employees to access and spend their money.

Decision-making Help

A key goal of your CDHP is to help employees make smarter decisions with health care so you both save money. Anthem’s CDHP offers online tools and guides that teach employees how to be better health care shoppers. Employees can compare doctors and facilities so they find the best use of their health care savings.

Using this program, Anthem members experienced an 81 percent increase in the use of preventive care and a 7 percent rise in the use of generics. This translates to real savings for both you and your employees.

Simple Reporting

During this complicated time in health care, your plan must be compliant with reporting and adapt to any legal changes. Anthem’s program has one location for reporting, which makes it easy to file the necessary paperwork. Their program also stays updated with any political changes.

Higher Enrollment

If you plan to set up a CDHP, employees should use it. Every employee who successfully transitions leads to more savings for your organization. Anthem’s platform makes it easy and convenient for employees to switch over. Employee satisfaction with the program is high, thanks to the resources and cost savings, which means once they sign up for a CDHP, chances are good they’ll stay.

In these uncertain times, employers need to rethink their traditional approach to health insurance benefits. By keeping this information in mind, you can decide whether a CDHP is the right solution for your workforce.

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What We’re Doing at Anthem

Anthem introduced the new Anthem Act Wise CDHP solution in the market January 1, 2017. The new solution looks a lot like digital banking today — one debit card to access all spending accounts, such as HSA and FSA, the ability to digitally submit claims and upload receipts through a photo as well as tools to pay bills and track expenses. These banking tools are integrated with tools that will allow consumers to not only predict their cost but shop around for less expensive, high-quality options to address their health care needs. Anthem Act Wise CDHP delivers flexible plan options that give employers and their employees everything they need in a single, simple solution — the ability to drive cost savings, educational tools and resources, easy plan administration and robust support in guiding them toward smart health care choices.

Anthem is Creating the New Normal for Health Care

### Sources:
1. Mercer “Health Benefit Cost Growth Slows to 2.4 percent in 2016 As Enrollment in High-Deductible Plans Climbs”
2. Society For Human Resource Management (SHRM) Consumer-Driven Decision: Weighing HSAs vs. HRAs
4. Mercer “Health Benefit Cost Growth Slows to 2.4 percent in 2016 As Enrollment in High-Deductible Plans Climbs”
6. The Kaiser Family Foundation “Average Annual Workplace Family Health Premiums Rise Modest 3 Percent to $18,142 in 2016; More Workers Enroll in High-Deductible Plans With Savings Option Over Past Two Years”
7. Anthem Commercial Book of Business, CDHP study 2015 and 2016