

The Basics of CDHPS, HDHPs and Health Savings Accounts

Consumer Driven Health Plans or (CDHPs) have grown to be the most common type of plans offered by employers in recent years. CDHP plans can have a variety of features, often higher deductibles combined with other benefits such as a flexible spending account (FSA), healthcare reimbursement arrangement (HRA) or, if they meet the IRS requirements, a Health Savings Account (bank account). **Both of the Greenfield-Central School health plans are designed to meet the requirements of IRS qualified High Deductible Health Plans or tax-qualified HDHPs.**

The Health Savings Account is one part of a consumer driven health plan model structured to provide a tax break and allow individuals to see the “real cost of health care” which are often not as transparent when a plan only has fixed copays for the various medical services.

Would you buy a \$200 prescription with your own money if another \$30 prescription option worked the same?

When a health plan covers several prescriptions at a \$20 copay most consumers do not know how much one option is over another. CDHPs are designed with an employee having more responsibility for how a portion of the plan is used. This could be a higher deductible by itself or use of some other funds provided by the employee themselves or the employer on a tax favored basis.

The same concept also applies for other services as well.

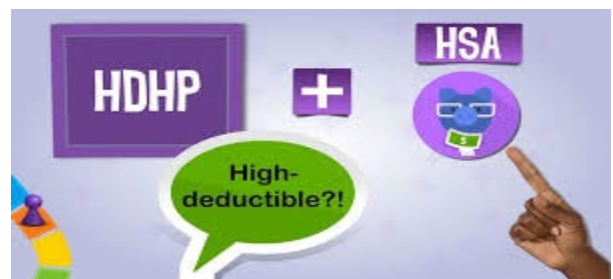
Would you elect to have your lab work done at a hospital facility for \$400 if you knew the same test could be performed at another location for \$80?

Despite the growing number of CDHPs, consumers still do not have all the information they need before making health care services purchasing decisions. CDHPs are just now starting to impact how medical services are priced and presented to the public. Never hesitate to ask your doctor for lower cost options.

Whether a plan is fully-insured or a self-funded plan sponsored by an employer, bad purchasing decisions ultimately come back to impact those covered by the plan in the form of higher contributions. Being a better consumer can help control the cost to your plan.

The Health Savings Account!

Not all CDHPs are the same. One key difference is that only plans that meet the IRS tax qualified HDHP requirements allow covered individuals to set up a Health Savings Account. Plans that qualify under IRS rules are often call Health Savings Plans for short. When technically there are two individual parts: The HSA is the bank account and the plan itself is the tax-qualified HDHP.



The IRS requirements are very specific to be classified as eligible for making contributions to an HSA bank account. Be aware that just because a plan has a higher deductible it may not meet the IRS HSA requirements.

Greenfield-Central Community School Corporation Health Plan

Additionally, while you may be covered by an IRS qualified HDHP, **individuals may have other coverage that can disqualify their status, such as “access” or other coverage that does not meet the IRS Requirements.** The most common disqualifying coverage is an employee covered by a qualified HDHP at their place of employment, but also enroll to be covered by a spouse’s plan which is a non-qualified plan. If a person is enrolled in both, the IRS considers having “access” to the non-qualified plan, whether they use it or not, as the disqualifying coverage.

(If you have questions on qualifying coverage, you should consult your tax advisor)

Some Basic IRS requirements:

The IRS updates and releases the basic **IRS requirements** each year (2019):

- Minimum self-only deductible \$1,350
- Minimum family deductible \$2,700

By IRS definition, only **preventive care** as defined by the IRS is allowed prior to meeting the deductible. Other than birth control, this means no prescription copays prior to meeting your respective deductible.

The advantages of establishing an HSA bank account:

If eligible, you may make tax favored contributions to an HSA bank account.

For 2019: Single Limit - \$3,500 Family Limit - \$7,000

A \$1,000 per year additional catch-up provision is allowed for those over age 55



- ✓ Any contributions made by you or your employer are always yours.
Note: Keep in mind any Employer contributions count toward the maximum annual limit.
- ✓ There is no annual use it or lose it provision as with the Flexible Spending Account.
- ✓ Can make much higher tax favored contributions than a Flex Spending Account.
- ✓ It is the **contributions** that are tax favored. You do not have to have claims to benefit each year.
- ✓ Contribute in healthy years to use when necessary. You may invest your contribution balance.
- ✓ Funds can be used on anyone in the family that has qualified medical expenses.

If you are eligible for a Health Savings Account and do not currently make contributions, you should consider investigating the benefits further. Below is a link which will provide additional information:

<https://www.oldnational.com/thehsaauthority>

Disclaimer: The information above is considered general for discussion purposes only and not in any way intended to be personal tax advice. Consult your tax advisor before taking any specific actions for tax purposes.

Understanding what drives our health plan cost!

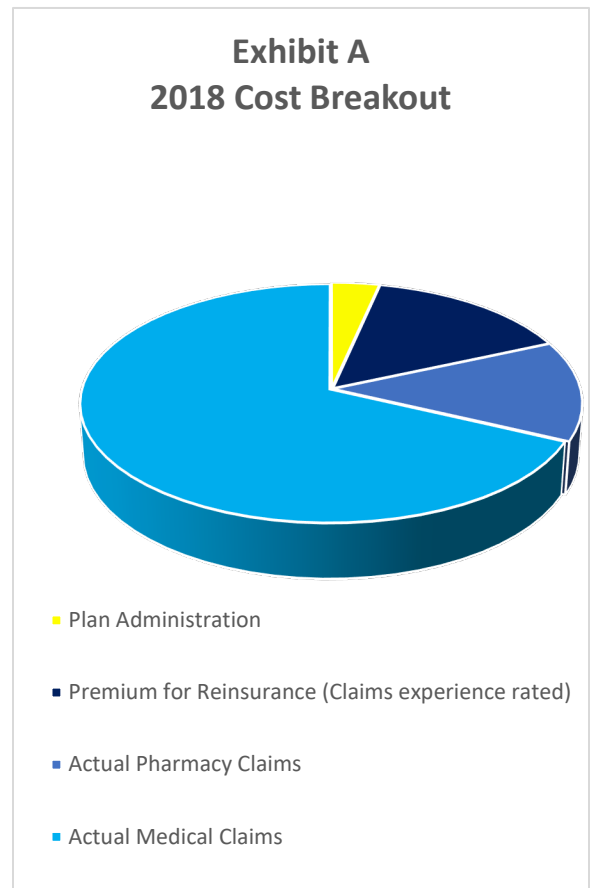
While there are many ways to address claims cost, **nothing beats avoiding the big claims altogether**. Preventing a large claim will have an impact on the 3 largest sections of the chart in Exhibit A. Medical cost can be reduced, pharmacy claims will most likely also be reduced. If both of those are lower, it will also translate to lower reinsurance premium.

Groups that tend to have steady costs and/or below average premiums have focused on 3 areas that can have the biggest impact over time.

Preventive Care: It cannot be stressed enough the importance of following your basic preventive care guidelines and being proactive about your health. *Early detection can often mean the difference between a no or low-cost solution versus a long and costly treatment plan which may not be completely reversible.* It is important to remember certain **preventive care** based on your age and gender can be covered by your high deductible at 100% before the deductible is met (as outlined by the US preventive Task force on health guidelines).

Wellness: Wellness means different things to different people as everyone has their own unique situation to manage. On one extreme it may be the pursuit of an activity goal such as training for an event such as a race. However, to another person, *it may be as simple as changing to a healthy diet or starting to walk a few times a week.* *Whatever the case making a conscious decision to live a healthier lifestyle can have a drastic impact on the cost of health insurance.*

An improvement in wellness could result from doing any of the following in the list below (Exhibit B). No matter how small or trivial it may seem, moving the needle in the right direction can have a big impact on plan costs.



Basic Wellness Activities

- ✓ EAT BETTER
- ✓ EXERCISE REGULARLY
- ✓ TAKE MEDICINE AS PRESCRIBED
- ✓ STAY CURRENT ON PREVENTIVE SCREENINGS
- ✓ LOSE A FEW POUNDS
- ✓ MAINTAIN CONTROL OF ANY CHRONIC CONDITIONS

Health Consumer Education: It can be frustrating trying to get accurate fees or cost ahead of a medical service. However, it is important to understand that every time you can make an informed decision, you are minimizing your out of pocket and helping to control the cost to the Greenfield Central plan. *With any large group plan our claims experience as a whole directly impacts what both the school system and you pay. (See the light blue and dark blue sections of the pie chart.)*

Reinsurance premiums (dark blue) are set based on past claims experience and actual claims incurred (blue and light blue) during the year make up the bulk of the annual plan cost. Each year, our reinsurance is quoted to find the most competitive rates. Which means each year is a new opportunity to benefit from improving our health and applying efforts to lower our costs as group.

As a self-funded plan, we only pay for the actual claims we incur as a group. **Anything we do not spend stays right here within our school system**, It is not shared or blended with the experience of other corporations such as a school trust, and it does not go to a big insurance company as profit that we can never get back. **The bottom line is efforts to stay healthy and control cost will benefit GCCSC and no one else.**

One of the biggest misconceptions of insurance is that the more people on the plan the cheaper it is. If that was true a large group of really sick people should be less expensive than a really small group of healthy people. While there may be some economies of scale to extremely large groups, **it is the health status or claims spending that drives the overall cost as illustrated in the graph.**



Prescriptions

The following are real cost differences among some of the most commonly prescribed medications over the past plan year. Using a site like www.Goodrx.com identifies the pricing difference on the 5 examples. **The trap is no one pharmacy is always the least expensive option.**

Note: Free may require you join / register for their pharmacy program

Name (brand name)	Pricing by store					
Sprintec (ortho-cyclen)	\$9 Walmart	\$10.23 Kroger	\$15.5 CVS /Walgreen			
Amoxicillin 2 bottles 400 mg (Amoxil)	(Free) Meijer		\$10-\$12.00 Walgreen/Walmart /Kroger			
Montelukast (Singular)	(Free) Kroger	\$12 Walmart	\$16 CVS	\$36 Walgreen		
Escitalopram (Lexapro)	\$3 Kroger with membership		\$7.35 Meijer	\$9 Walmart	\$26 CVS	\$49 Walgreens
Polyethylene Glycol 3350 (laxative)	\$14 Walgreen /Kroger	\$17 Walmart	\$21 Meijer			



Maternity

Did you know having a normal delivery at Hancock Regional can often cost up to \$10,000 less than one of the major hospitals downtown or on the north side of Indianapolis?