Making the Transition

How to help employees make the change to a consumer-driven health plan

When employees hear the term "consumer-driven health plan," they may panic. The thought of a high-deductible plan that only covers preventive care until that deductible is met can sound scary to employees used to a system of co-pays and co-insurance.

So if you are moving to this type of health plan, you need to start explaining it early and include a tax expert to show employees how they may actually benefit, says Randy Ressel, vice president in Missouri for HealthLink.

"You need to make this decision well in advance of open enrollment and then help employees understand why you are making this change," says Ressel. "This is the time for a frank talk from the CEO, because if employees don't get that, they will suspect the change is something they are not going to like, that is going to cost them and that it's going to benefit the company. But that is not necessarily the case, so you have to tell them, and tell them again, because it's different from what they're used to."

What is a consumer-driven health plan?

It is a high-deductible health plan that meets IRS codes for having a health savings account attached to it. Nothing is covered with the exception of preventive care until you hit a high deductible, generally $2,500.

The plan is accompanied by a health savings account. Similar to a 401(k) plan, tax-deferred money goes into the account. But unlike a 401(k), in which taxes are paid when money is withdrawn, funds in an HSA are withdrawn and used tax free on approved expenses.

That can be a huge benefit. For example, if you are taking a prescription drug for $100 a month, under a consumer-directed health plan, you are not going to have drug coverage. So if you pay cash, you pay $100 of after-tax income. But if you are in the 25 percent tax bracket and pay out of your HSA, you effectively save $25 because you are paying with pre-tax dollars.

How can a company get started on the transition?

Timing is everything. This is not so much a benefit change as a cultural change. Instead of insurance companies driving care, consumers are the ones making the decisions and driving outcomes, which is a very big change.

Talk early and often about that culture change and make decision-making tools available to employees. Employees can input personal information, along with their health care expenses last year, to help quantify the cost of going to an HSA. Education sessions should begin at least 90 days before the effective date, and attendance must be mandatory. Otherwise, employees will arrive at open enrollment and hurry through the process without understanding their choices. And that is the worst possible situation to be in.

How should a CEO present the plan to increase the chances of employee buy-in?

The CEO should say, ‘We’ve all heard how much health insurance costs are going up. You may not see it because we pay for the majority, so while you may think you are paying the full amount of the increase, that is not the case.’ This presents an opportunity to tell employees exactly how much the company has paid for benefits. Tell employees that you foresee issues down the road with the cost of employee benefits, and because you want to continue providing these benefits, you need their help in using health care dollars wisely.

How can employees help keep costs down under a consumer-driven health plan?

First, use generics. There is a huge variance in drug costs, and generics allow you to retain a larger amount of money in your HSA, so if a big expense arises, it won’t wipe out your fund.

Second, patients should ask their doctors questions. If a doctor recommends an MRI and surgery, ask if there are other options. If he or she says no, then ask about the least expensive place to get an MRI. The cost in some cities can range from $600 to $2,300, so if you are paying out of pocket, it pays to find the least expensive option.

How can employers encourage employees to participate?

One of best ways is to take the employer cost savings from the plan and allocate it into the HSA of anyone who elects that coverage. You can also offer incentives. For example, if someone has asthma and is contacted by a health coach, and the employee agrees to participate in a program, the employer could deposit additional funds. Or if an employee agrees to quit smoking, the employer could contribute funds. That's a real incentive to get people to be healthy.

Also, the culture of change must begin with management. If there are three plans to choose from and the CEO chooses something other than the consumer-driven health plan, employees won't buy in. You have to lead by example.

The same is true with weight loss, health risk assessments and other things you want people to do. If you're not doing them, too, it's less likely that employees will participate. Establishing weight loss or walking competitions can also have a positive impact on health, and offering rewards for the winning team will encourage employees to participate.

Finally, give employees regular feedback about how the plan is performing. That is key. In your original CEO talk, you said you are doing this because you're afraid that if you don't do a better job managing health care dollars and improving health, you won't be able to provide this benefit down the road.

So how's it going? Quarterly, or at least semi-annually, tell employees what the budget is, what you've done so far and whether you are doing well, or need to do more work. This gives them a vested interest in continuing to buy in to the program.