

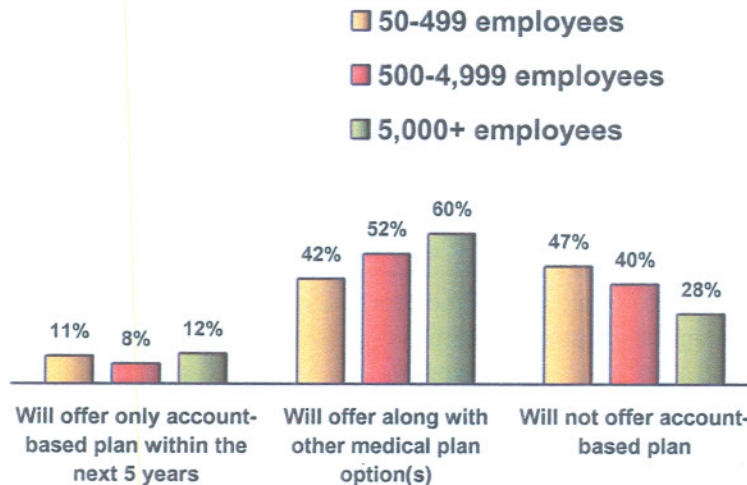
Exploring Account-Based Strategies

Health care consumerism is a concept that engages the member to have healthier behaviors and to take a more personal responsibility in the cost and quality of healthcare services purchased.

Consumerism is more than a “plan design.” It incorporates member education with plan designs to lead healthy lifestyles and make informed health care decisions.

A consumer directed health plan (CDHP) is a plan under which employees spend money from Health Reimbursement Accounts (HRAs) or Health Savings Accounts (HSAs) to purchase routine services directly. Non-routine services are covered by traditional insurance after members meet a generally high deductible. Online financial and health tools are generally provided to help the employee make wise healthcare decisions. Some tools that are included are: information on health conditions, tools to help select the most appropriate plan, individual provider quality and individual provider cost.

A majority of large employers expect to offer an account-based plan near-term, but not as the only plan. We also see that HSAs generally have higher deductibles and less contributions into the account. The following charts illustrate results from the Mercer Survey of Employer-Sponsored Health Plans.



	HSA	HRA	PPO
Average in-network deductible	\$1,655	\$1,574	\$501
Percent employers contributing to account	71%	100%	—
Average employer account contribution*	\$501	\$622	—
Average "gap"	\$1,154	\$952	\$501
Average cost per employee	\$6,384	\$6,392	\$7,861
Average monthly employee premium contribution	\$46	\$58	\$98

Employer objectives vary for offering CDHP plan designs. Some more common objectives are:

- Lower organization's benefit costs.
- Promote health care consumerism.
- Improve package of benefit offerings.
- Provide funding vehicle for retiree medical.
- Provide tax-effective savings vehicle.

The objectives vary slightly between plans with an HRA versus an HSA; however, lower the organization's benefit cost is top for both.

Below is a chart outlining key provisions for HSAs, HRAs, and FSAs:

	Health Savings Accounts (HSA)	Health Reimbursement Account (HRA)	Flexible Spending Account (FSA)
Eligibility	Individuals (employees with high-deductible plan (HDHP))	Employees whose employers make available	Employees whose employers make available
Health Insurance Requirement	Qualified high deductible health plan required; no other health coverage permitted	Non except by employer plan design	None
Minimum Deductible	\$1,150 per individual and \$2,300 per family (2009)	None	None
Contributions	Employer, employee or both	Employer only	Employer, employee or both
Annual Contribution Limit	Amount established by law: for 2009, \$3,000 single/\$5,950 family	None legally required, employer sets it's contribution amounts	None legally required, employer sets employee contribution limits

	Health Savings Accounts (HSA)	Health Reimbursement Account (HRA)	Flexible Spending Account (FSA)
Qualifying Expenses	Miscellaneous IRC 213(d) expenses, limited health premium reimbursements	Miscellaneous IRC 213(d) expenses, limited health premium reimbursements, subject to plan design	Miscellaneous IRC 213(d) expenses, limited health premium reimbursements
Non-qualified Withdrawals	Yes, but taxable, plus 10% penalty. After age 65, death or disability – no penalty	Not allowed	Not allowed
Accumulation of Unused Funds	Unused funds roll over	Allowed, although employer can establish limits	Not allowed
Rollovers from Other Accounts	One time rollovers allowed to HSAs from HRA, FSA and IRA	Not allowed	Not allowed
Non-forfeitable	Fully portable, can take to new employer	No, but COBRA rights apply	No, but limited COBRA rights apply

