

# Better health plans

Consumer engaged programs can lead to better coverage **Interviewed by Amy Dison**

**C**onsumer engaged or directed health care options are the most popular trend in the market today. These consumer engaged programs help business owners offer complete coverage and encourage better overall employee health, thus reducing total health care costs.

“These options include reimbursement and health savings plans. Business owners should identify differences between consumer engaged health care plans and determine which plan best fits both their needs and the needs of their employees,” says Don Whitford, director of sales and client services for Priority Health. “With new technologies on the market, the benefit plan process can now be seamless for both the employee and employer.”

In part one of a two-part series, *Smart Business* spoke with Whitford to understand the difference between the most popular consumer engaged plans, how to select the appropriate plan and the new technologies on the market that enhance service. Look for part two in the August issue.

## Which benefit design is more popular, the Health Savings Account (HSA) or the Health Reimbursement Arrangement (HRA)?

Each option has the opportunity to help business owners save significant dollars. One is not more popular or better than the other. However, business owners should understand the differences between the two to determine which option best fits their needs.

An HSA is owned by the employee, allowing the employee to decide how to spend money on medical care. This account allows both the member and business owner to contribute funds but only the member controls the spending decisions.

HSAs must have a high deductible health plan. The accounts are opened at a financial institution and, like other savings accounts, can earn interest. An individual can also invest the money into an account similar to a 401(k). This account rolls over investments to the



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next year and has triple tax savings, as contributions are tax free, the interest earned is tax free and the items you purchase with the account — provided it is for health care use — are also tax free. HSAs are portable, meaning the employees can take the account with them with no penalty.

The HRA is significantly different because the employer controls the funds. The HRA is not a pre-funded account. It is similar to a secondary claims system in that the business owner may decide to set a company deductible of \$500 and tell the employees that the company will allocate \$300, for example, to offset the deductible. If an employee's deductible-related expenses reach \$500, the employer will cover \$300 and the employee is responsible for the remaining \$200. HRAs have many features that allow employers to customize a plan to fit their needs. The HRA puts part of the financial responsibility on the employee and helps minimize the employer's financial risk.

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## How is one reimbursed with the HRA plan?

The HRA process starts with the provider submitting a claim. The health plan processes the claim and sends a remittance notice to the provider and to the member. This process may seem cumbersome but with new technologies the entire process can be streamlined.

Claims are automatically transferred to the HRA. This takes the manual claims submission out of the hands of the member and reduces waiting time of reimbursement for all providers. The member receives only one statement, which shows the amount applied to the deductible and the HRA payment.

## How does a business owner select the right plan?

Business owners should work with their agent or health plan representative who will help them answer some important questions. What are your long-term health care objectives? What are you trying to accomplish in the short-term? When these answers are determined, a professional can prepare financial comparisons of different plans and the effect they will have on the overall business. It is important for owners to fully understand each plan before making a decision.

## How do you communicate plan choices to employees?

There should be ongoing communication when dealing with consumer engaged health care. These programs require participation from the employee and are new concepts for many. Education and understanding is a must for employees to utilize these programs properly. These plans have a success rate because once employees are engaged they make better health care decisions. <<

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