New Insurance Options Aim To Ease Employer Burden

Tom Murphy, AP Business Writer

Workers may need to do more homework when they evaluate their health coverage options this fall. This year, more employers may include a new type of plan that can chop premium payments by nearly 20 percent and give consumers a tax break.

The tradeoff is higher deductibles, which have the potential to swamp customers with big bills. The plans, called consumer-directed health plans, vary from employer to employer and require careful comparison with other choices before making the switch.

These plans have been around for several years, but more employers are considering offering them as health costs rise and the recession fosters a new push to cut costs. Employees could see these higher deductible plans among their choices for the first time as open enrollment begins in a few weeks at many companies.

A consumer-directed health plan typically pairs insurance that carries a high annual deductible with an account fed either by an employer or by the employee through pre-tax contributions to help cover costs.

The deductibles — which start around $1,200 a year and can approach $10,000 for family coverage — make the customer pay more money out-of-pocket for care before most coverage starts. The idea behind this insurance is to give clients an economic incentive to spend carefully, while providing protection from devastating medical bills. Some plans also provide annual physicals and other screenings at no cost to patients to encourage basic and preventive care that could stave off bigger bills down the line.

Some employers help cover the out-of-pocket cost by funding what's called a health reimbursement arrangement for employees to tap. The money belongs to the company and stays with it if an employee leaves.

A common alternative is to offer health savings accounts. Employees can deposit pre-tax dollars to cover medical expenses not covered by insurance. Some employers contribute to these HSAs. Unused money grows in the account, which belongs to the worker and is portable if he or she changes jobs.

A consumer-directed health plan can help people on both extremes of the health care spending spectrum, but it can be risky for some who fall in between or for those who don't fund their HSA, financial planners and insurance brokers say.

The plans offer premiums that are, on average, about 19 percent cheaper than the cost of more common insurance plans with lower deductibles, according to statistics from the Kaiser Family Foundation and the Health Research and Educational Trust.

People who use little health care can benefit from that price break and build up their HSA accounts. Plus they earn unique tax benefits. Money deposited in the accounts is either taken from your paycheck before taxes or it can be a deduction, it grows tax free, and then it is not taxed when taken out for qualified medical expenses.

People who use a lot of health care can benefit because HSA plans come with limits set by the government for how much money a customer spends out of pocket each year. Next year, that will be $5,950 for individuals and $11,900 for family plans, counting the money you spend on the deductible. Out-of-pocket maximums are typically listed in the insurance benefits summary. Depending on a plan's coverage, these lower limits could help someone with a chronic condition.

Jim Green hasn't paid a dime for health care since signing up a couple years ago for HSA-based insurance through his employer, Indiana's state government. Green, 56, said the state pays his entire premium and contributes about $1,500 to his account every year. When he visits the doctor, he simply pulls out a charge card that takes money from the company-funded account.

Consumer-directed plans have become more popular in recent years. Benefits consultants say companies like the lower premiums and the fact that these plans encourage workers to use the plans more judiciously.

Runaway health costs are at the heart of the debate in Washington to overhaul the nation's health system. Businesses would like to see something emerge that lowers expenses. In 2009, the average annual premium for employer-sponsored family coverage outpaced inflation to rise five percent for the third straight year, topping $13,000 for the first time, according to Kaiser.

The percentage of employers with more than 1,000 workers who offer a consumer-directed plan has climbed from 10 percent in 2005 to 28 percent this year. That figure has jumped from 4 percent to 18 percent over the same span for companies with 200 to 999 workers.

Source URL (retrieved on *07/29/2014 - 4:54am*):
http://www.surgicalproductsmag.com/news/2009/10/new-insurance-options-aim-ease-employer-burden?qt-digital_editions=0