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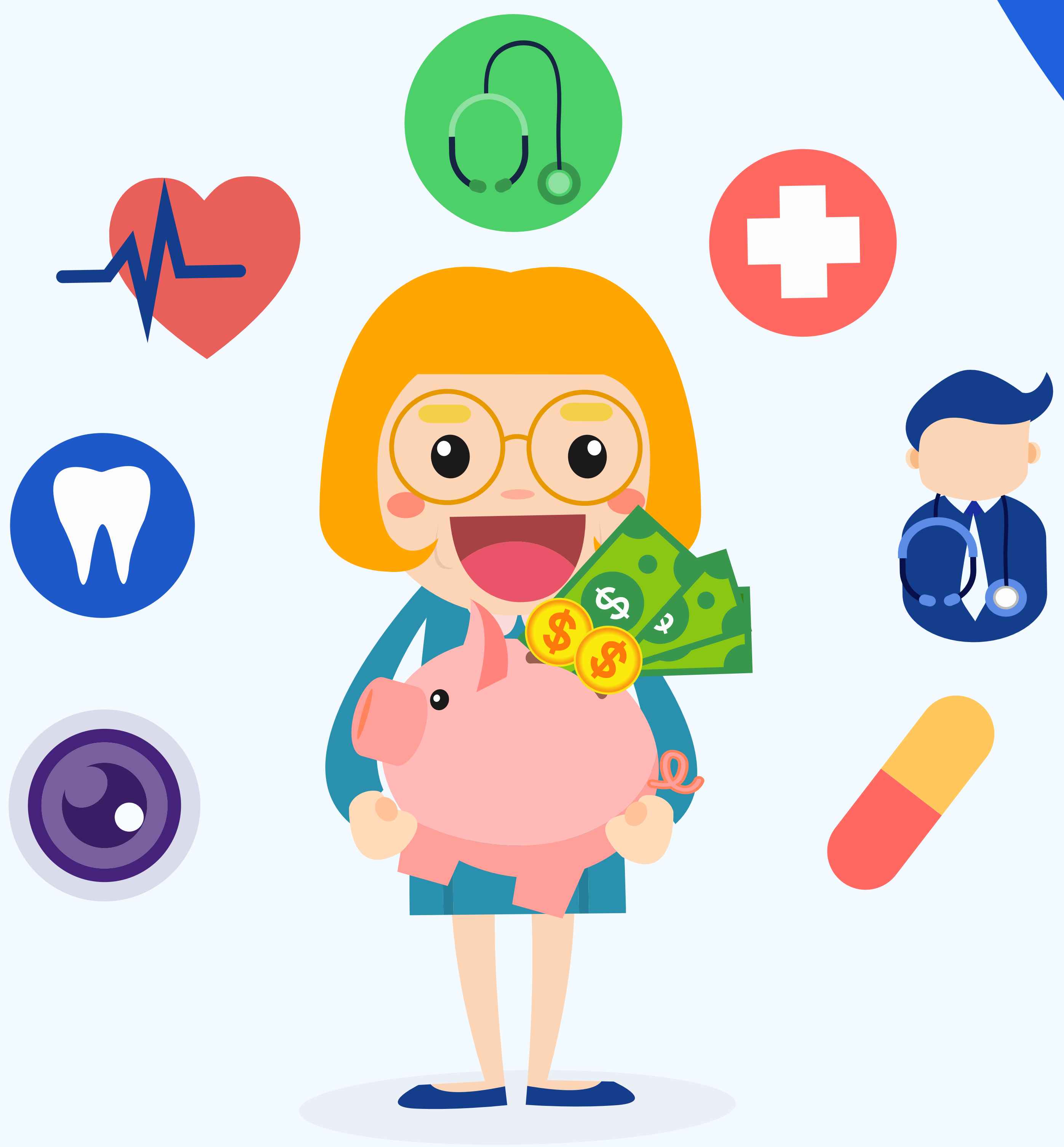
A Guide to Consumer Driven Healthcare



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Introduction:
What is Consumer Driven Healthcare?

In the face of tax and healthcare reform, tax-advantaged healthcare accounts – which intersect both worlds – are increasing in popularity. But how are real-world participants using these accounts? What patterns and trends do employers and plan administrators need to know to optimize Consumer Driven Healthcare (CDH) plans, including Health Savings Accounts (HSAs), Flexible Spending Accounts (FSAs), Health Reimbursement Arrangements (HRAs), and COBRA (Consolidated Omnibus Budget Reconciliation Act)?

When it comes to consumer driven healthcare, there are three popular employer-sponsored benefit accounts: Flexible Spending Account (FSA), Health Reimbursement Arrangement (HRA), and Health Savings Account (HSA). At first glance, when comparing an FSA, HSA, and HRA, it can be tough to see the difference. Each account has some similarities, but each is remarkably different.

Here's a quick runthrough of the differences between an FSA, HRA, and HSA:

FSA: A Flexible Spending Account (also known as a flexible spending arrangement) is a special account employees put money into to pay for certain out-of-pocket healthcare costs. The money is pre-tax. This means employees save an amount equal to the taxes that would be paid on the money set aside. The IRS sets a maximum each year on what an employee can contribute, and allows for a limited amount of unused funds to rollover at the end of the plan year. Employers may make contributions to an FSA but aren't required to.

HRA: A Health Reimbursement Arrangement commonly referred to as a health reimbursement account, is an IRS-approved, employer-funded, tax-advantaged employer health benefit plan that reimburses employees for out-of-pocket medical expenses and health insurance premiums.

HSA: A Health Savings Account

combines high deductible health insurance with a tax-favored savings account. Money in the savings account can help pay the deductible. Once the deductible is met, the insurance starts paying. Money left in the savings account earns interest and is the employees to keep.

The similarities among the three accounts include:

- Sponsored by employers
- Designed to help offset the high cost of medical care
- Enables individuals to take control of their personal healthcare needs
- Permits tax-advantaged contributions
- Administered by a Third Party Administrator

COBRA and CDH Plans

Because HRAs and HSA's are linked to group health plans, they are subject to laws such as HIPAA and COBRA. COBRA (shorthand for the Consolidated Omnibus Budget Reconciliation Act of 1985) is a federal law that requires employers of 20 or more employees who offer healthcare benefits to offer the option of continuing this coverage to individuals who would otherwise lose their benefits due to termination of employment, reduction in hours or certain other events.

COBRA laws are complicated, and mistakes can be costly for employers. By using a Third Party Administrator (TPA) for COBRA administration, you will have the assurance that your groups health plan is in full compliance with all COBRA rules and regulations.

HSA vs HRA vs FSA Comparison chart

	Health Savings Account	Health Reimbursement Arrangement	Flexible Spending Account
Account Ownership:	Employee or Individual	Employer	Employer
Deposits made by:	Employer, employee or both	Employer	Employer, employee or both
Separate Account?	Required, Savings account with IRS limitations	Not required, can be paid from employer assets	Not required, can be paid from employer assets
Expenses Covered:	Medical, dental, vision, prescription, and some over-the-counter expenses. COBRA, retiree medical insurance premiums, LTC premiums or expense.	Medical, dental, vision, prescription, and some over-the-counter expenses, dependent care. Post-tax insurance premiums.	Medical, dental, vision, prescription, and some over-the-counter expenses

	Health Savings Account	Health Reimbursement Arrangement	Flexible Spending Account
Accompanying Plan Requirements:	Must be covered by qualified HDHP and not covered by any plan that covers medical expenses under the deductible HDHP Minimum Deductible: 2017: $1,300 single; $2,600 family 2018: $1,350 single; $2,700 family	Generally, must be integrated with group medical plan meeting healthcare reform requirements	None
Contribution Limits?	Yes. The IRS sets a limit on how much can be put into it each year. Limits can usually be found in health plan documents and at irs.gov. While there are annual limits, there is no limit to how much can be saved over time.	No. There are no limits for you because you can't put your own money into an HRA.	Yes. The IRS sets a limit on how much you can put into it each year. Limits can usually be found in health plan documents and at irs.gov. Employers can decide what the annual limit will be but it can't be more than the IRS limit.
Rollover:	Full rollover required	Rollover allowed at employer's discretion	$500 rollover allowed at employer's discretion

	Health Savings Account	Health Reimbursement Arrangement	Flexible Spending Account
Funds Availability:	As deposits are credited	As deposits are credited	Full annual election available on first day of coverage (uniform coverage) Varies by TPA
Compatibility with other accounts?	May be paired with HRA, FSA if they are limited to amounts over deductible, or to dental/vision only; may be paired with DCAP, PRA	May be paired with FSA, DCAP, PRA. If paired with an HSA, must be limited to amounts over the deductible or to dental/vision only	May be paired with HRA, DCAP, PRA. If paired with an HSA, must be limited to amounts over the deductible or to dental/vision only
Do COBRA rights apply apply to it?	COBRA does not apply to the account. But COBRA rights apply to the high-deductible health plan offered by an employer.	Generally COBRA rights apply	Yes, COBRA rights apply.
Is there a run-out period?	N/A	Typically 90 days after the plan year ends	Typically 90 days after the plan year ends

In this guide, we will review consumer driven healthcare, the third party administrators that offer them, and how partnering with Ease simplifies the process.

Part 2: Benefits of Using Consumer Driven Healthcare

Consumer driven healthcare allows for employers to set up employee health plans with low premiums, high deductibles, and savings accounts. The goal of these plans is to reduce costs for employers, prompt employees to make more educated decisions about the care they seek, and increase the percentage of employees that have access to insurance. Highlighting the benefits and ensuring your groups understand the components of consumer driven healthcare is not that simple. In today's changing healthcare market, many companies are looking for experienced guidance to help select the appropriate coverage and cost options that fit the needs of the company and their employees.

Benefits to Employers:

There are many benefits to employers to add HSA, HRAs, or FSAs to an employee benefit plan. Consumer driven healthcare benefits are employer-owned and employer-funded. They're also customizable, which helps your groups manage costs through the plan's design. Plus, employers are able to save money. This is because they are able to combine a consumer driven healthcare with lower insurance premiums in addition to HSA, HRA, and FSA employer contributions, which are 100% tax deductible.

Benefits to Employees:

In a consumer driven healthcare plan model, employees have control of their healthcare dollars and are better educated regarding the costs of the services they seek. They are also given the incentive to take preventive measures to remain healthy. Plus, unused healthcare dollars can roll over from year to year and can be used for future healthcare costs, including retirement.

With many HSA, FSA, and HRA plans, employees are able to save up to 40% on state, federal, local, and FICA taxes depending on their state of residence. Employees are able to better budget for out-of-pocket medical and daycare costs – no worrying about paying for unexpected medical expenses; the money is there when they need it.

Part 3: TPA and Ease's TPA Partners

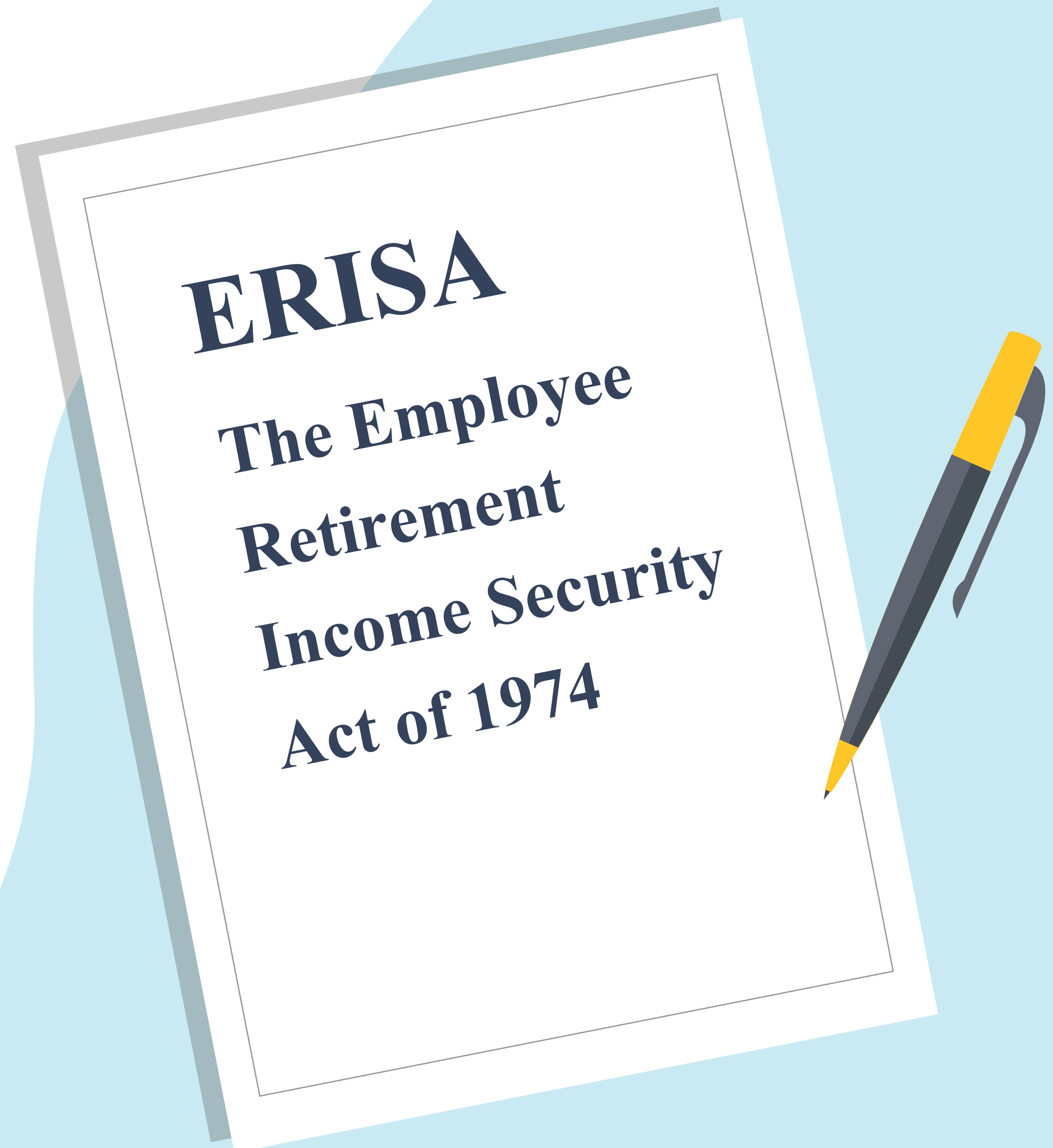
What are Third Party Administrators?

A Third Party Administrator (TPA) is a person or organization that processes claims and performs other administrative services in accordance with a service contract, usually in the field of consumer driven healthcare. A TPA is not the insurer, insured, nor the plan sponsor.

History of Third Party Administrators?

Most employee benefit plans are highly technical and difficult to administer. Those complexities gave birth to the Third Party Administrator industry.

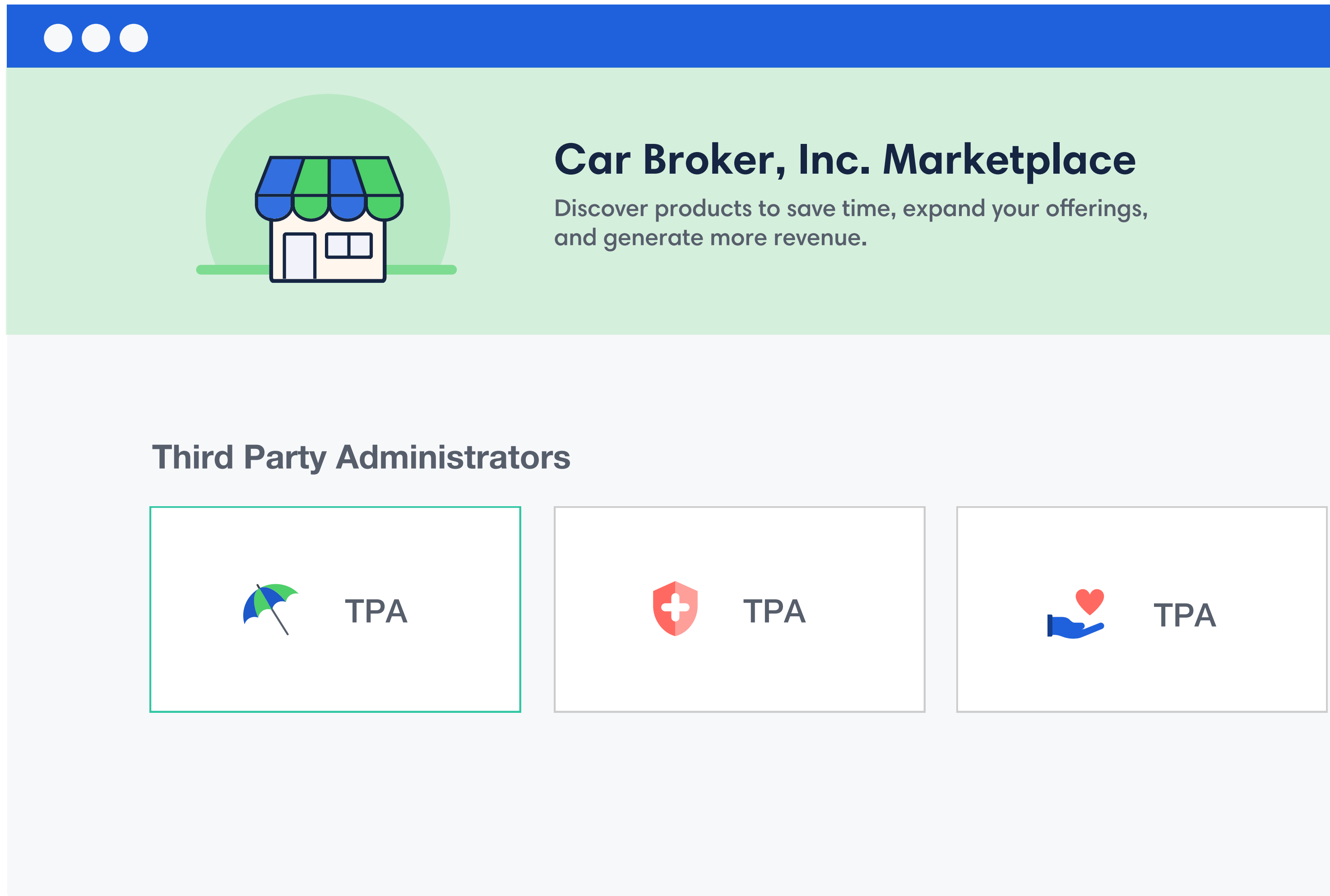
While there are reports of a Third Party Administrator operating as early as 1933, the modern Third Party Administrator concept is rooted in servicing mostly pension plans codified in the 1946 Federal Taft-Hartley Act. Such plans are typically comprised of several employers whose employees belong to a single union.



By the late 1950s, there were also a few Third Party Administrators specializing in servicing medical plans sponsored by single employers. The industry boomed after the enactment of the Employee Retirement Income Security Act of 1974, as employers began exploring the option of self-funding when traditional insurance coverage failed to meet their cost expectations. Today, the administration of self-funded medical plans is the primary line of business for many independent Third Party Administrators.

Ease's TPA Partnerships

As a broker, offering consumer driven healthcare helps increase commission, and strengthen your core offerings. However, manually creating detailed proposals, using forms to add new clients, chasing down enrollments, and managing renewals can be complicated. Even finding the right partners can be difficult. With Ease, and the use of technology, all of these complex processes are simplified and centralized to better serve your groups and enhance your service offerings.



Ease serves as a robust consumer driven healthcare benefits management platform that enables you to perform critical tasks without requiring significant time commitments or administrative headaches. Ease has partnered with several Third Party Administrators, available in the Marketplace, giving you the ability to offer your clients innovative CDH benefits with less work.

Enabling TPA's in the Marketplace:

Currently, Ease has integrations with several of the nations top Third Party Administrators:

These integrations allow you to set up, manage, and submit various CDH plan enrollments to the TPA through Ease with little to no administrative work.

Why use Ease's Integrations?

1) Employees are able to log in and enroll in consumer driven healthcare through a seamless, informative process on the same platform and at the same time as their medical plans, centralizing the benefits lifecycle. Ease integrates directly to the TPA, providing an employer with one system of record that syncs CDH benefits and plan enrollment or changes.

2) You can setup CDH plans using Ease's plan libraries and access videos, overview documents, and ready-to-print plan information for distribution.

3) Your groups benefit from the centralization of information too. Employers and employees can access information for all benefits, no matter the carrier, from one central location throughout the year. Employees can review the information made available by the TPA to increase their understanding of the plan offered and, in turn, increase participation.

Here's an overview of how integrations work in Ease:

- We make administration easier because we integrate directly with the TPA. With Ease setup is easy, there are no forms or manual filing.
- You can add plans for your groups the same way you add a medical plan. In Ease, you can select one of our TPA partners, enable the product in our Marketplace, build and save a plan (with rates, eligibility etc.), and add it to a plan library for use with other groups.
- Once the integration setup is complete, employees can enroll entirely online. When it's time for submission, the data is sent from Ease to the TPA. All adds, changes, and terminations are processed through the integration.
- If there are any errors, you will be notified and asked to correct or make changes directly in Ease.
- Some Ease TPA partners require a unique setup wizard or guide.

Choosing a TPA in Ease:

	Consumer Driven	Retirement	Parking/Transit	COBRA / HIPPA
Basic Pacific	No	No	No	Yes
BBP Admin	FSA, HRA, HSA	No	Yes	Yes
Lively	HSA	No	No	No
PeoplePay	FSA, HRA, HSA	No	Yes	Yes
TASC	FSA, HRA, HSA	No	Yes	Yes
The Advantage Group (TAG)	FSA, HRA, HSA	No	Yes	Yes

Part 4: Strategies to Sell Consumer Driven Healthcare to Your Groups

For employers and employees, consumer driven healthcare represents a $118 billion savings opportunity, according to the Aite Group. But another study by Mercer finds that although more than 60% of employers offer consumer driven healthcare plans, only one-third of their employees enroll in them. How can you work with your clients to help employees realize the full range of savings that CDH plans represent and improve employee participation?

Here are a few best practices to consider

1. Partner with Employers to help them understand consumer driven healthcare and develop a good plan design

Poor plan design is the most common reason for disappointing enrollment results. It's crucial that brokers and employers remember the fundamental mandate of consumer driven healthcare benefits: that the plans offer a win for employers, brokers, and consumers.

Good plan design starts with a clear objective, and avoids the perception that employers are unfairly shifting the cost of healthcare to consumers without providing equitable value.

Start by helping employers understand that funding consumer driven health benefit accounts for their employees is critical to driving account adoption during open enrollment.

According to Mercer's "National Survey of Employer-Sponsored Health Plans 2015," consumer driven health benefits account adoption increases exponentially with direct-dollar contributions from employers, to nearly 40% with a contribution of $800, up from just over 20% with no employer contribution.

Whether employers are saving money by offering a benefit-neutral plan or offering better benefits for the same spend, you should convince employers to recommit healthcare benefit dollars into CDH plans to drive increased participation.

2. Position consumer driven healthcare plans as an integrated value proposition

Every health plan comes with out-of-pocket cost responsibility, and therefore, should be paired with a CDH plan. According to the Society for Human Resource Management, CDH plans save consumers on average 30% on their qualified healthcare expenses.

Encourage employers to present the health plan and account as a single, complementary solution, and help them to communicate that these services were designed to help offset the increased cost responsibility of their health benefits.

3. Implement a train-the-trainer model with HR

Business owners can be the gatekeepers of benefits adoption. In addition to taking a more active role in overall plan design, brokers can also ensure that employers are educated on the value of CDH plans and be prepared to drive enrollment. Working with employers to help them better articulate plan and account value propositions, as well as differences in plan design, can have a huge impact on enrollment.

4. Clear communication of the benefits of CDH to employees is key to enrollment

Employees can be confused and overwhelmed by the number and complexity of plans and accounts offered. Timely and repeated communications are key when educating employees, but brokers often leave this essential function exclusively to busy employers who wear many hats.

An effective communication strategy should focus on account benefits and provide access to self-service tools that empower the employee to see how they can pull various levers to meet their unique healthcare saving and spending needs.

Ideally all year, but especially two to three months before open enrollment, you should work with employers to communicate how accounts work and to provide account comparison tools and checklists.

To make the communication process smooth for employers, take the lead by providing a library of turnkey reference materials and tools that employers can deploy with minimal effort. We have many tools and resources in the Marketing Resource Library and Help Desk pages to help get your groups engaged in online enrollment and familiar with our system and TPA offerings.

5. Help Simplify Compliance

Keeping current with healthcare rules and regulations is never easy. Although COBRA's purpose is straightforward, its administration can be complex and cumbersome. The legal requirements are so laden with details and deadlines that it's easy for an employer to unwittingly fall out of compliance. To avoid potentially costly mistakes, many companies outsource the task to a Third Party Administrator of benefits programs.

COBRA can be complex to administer. In order to stay COBRA compliant, employers must stay on top of deadlines, and understand complicated plan and enrollment details. Because mistakes can be costly, in terms of fines or in lost time, it makes sense to outsource COBRA administration to a Third Party Administrator who is a subject matter expert.

Through Ease integrations, employers have access to tools that help simplify and educate on COBRA enrollment and compliance. Employers benefit by being able to rely on an experienced COBRA administrator that can answer COBRA questions from former employees, and the ability to access account information at any time.

Part 5: How to Get Started

With Ease, you can offer your groups a centralized experience for enrolling in consumer driven healthcare. Through our partnership with the several of the nation's top TPAs you're equipped with everything you need to drive strong participation, resulting in happier employers, engaged employees, and more commission for you.

Are you ready to get started with one of our Third Party Administrators? You can schedule live support with Ease, or enable products in the Marketplace.

Thank you!

www.Ease.com

Log in to Ease and visit the Marketplace to learn more

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Email: requestinfo@Ease.com

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