

# INSIDE CONSUMER-DIRECTED CARE

News and Analysis of Benefit Design, Contracts, HSAs, Market Strategies and Financial Results

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## Nashville, Sacramento Join Other County, City Governments With Account-Based CDH Plans

Between 2001 and 2007, the Metropolitan Government of Nashville and Davidson County, Tenn., watched their HMO premiums more than double. In an effort to rein in rate hikes — and to encourage its 13,000 employees to take a more active role in their health — the county is launching a consumer-directed health (CDH) option for 2008. And while enrollment results have not yet been finalized, at least 5,000 employees have signed up for the new plan, *ICDC* has learned. The open-enrollment period concluded Oct. 8.

Hammered by the soaring cost of health coverage over the past several years, a growing number of local governments is turning to account-based CDH plans for relief. According to the International City/County Management Association, 30% of local governments intend to offer an account-based option within the next five years (*ICDC 10/12/07, p. 8*).

Here's a look at several local governments that will offer a CDH plan for 2008:

AnnMarie Meyer, benefits manager for Sacramento County, Calif., tells *ICDC* that she is surprised by how well employees understand the CDH concept. While she expects that only "a few hundred" of the county's 14,000 eligible employees will enroll in one of two new health savings account (HSA)-compatible plans this fall, she says reaction from employees has been largely positive. The two new plans — an HSA-qualified HMO from Kaiser Permanente and an HSA-qualified PPO from Blue Shield of California — will go into effect on Jan. 1.

"We had Wells Fargo come in to talk about HSAs, and they were surprised by how well educated the employees were," Meyer says. She adds that because the development and approval process took longer than expected, she and her staff had only a

*continued on p. 7*

## HRA Retiree Health Benefits Could Become Next Frontier for Account-Based Coverage

Health reimbursement arrangements (HRAs) are slowly replacing more traditional retiree health benefits as large and jumbo employers hunt for ways to reduce costs while retaining coverage, industry observers say.

"This is a definitely a trend for large companies that offer retiree benefits. We started noticing it about five years ago, and it has continued to strengthen," says Frank McArdle, who heads up the Washington, D.C., office of Hewitt Associates. "As more companies move in this direction, it gets the attention of other employers." The trend is likely to pick up steam, McArdle predicts, but will be slower to catch on among employers that have a union population. Unions have traditionally opposed account-based health plans because they are seen as a reduction in benefits.

According to a Sept. 27 *Wall Street Journal* article, Kellogg Co. last month told 1,000 Medicare-eligible retirees from its Keebler unit that their health coverage would be replaced by an HRA as of Jan. 1. Moreover, Ford Motor Co. will replace its group coverage for 57,000 salaried retirees and their spouses with an annual \$1,800 HRA contri-

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bution on Jan. 1. Retirees will put those dollars toward individual coverage or to supplement Medicare coverage.

HRA-based retiree coverage began gaining momentum a couple years after enactment of the 2003 Medicare reform law, says David Speier, a senior consultant in Watson Wyatt's retirement practice. The law, he says, gave retirees choices beyond what had been traditional Medicare coverage. With the HRA dollars, retirees can go out and purchase a Medicare Advantage (MA) plan, "or maybe they just want a prescription drug plan," he says. Some employers might opt to offer several MA plans and administer the plans themselves, he adds.

"This can be a win-win for employer and employee if they both wind up paying less for health coverage," Speier says. "It also offers an administrative exit strategy for employers" that don't want to work with retiree health plans.

The number of employers that offer health benefits to retirees has been declining steadily since the early 1990s. While many employers have eliminated those

benefits completely, others see retiree health coverage as a way to recruit and retain employees, says Kismet Toksu, senior consultant in the Atlanta office of actuarial firm Reden & Anders. The cost of maintaining traditional retiree benefits, however, has become prohibitive. For employers, retirement HRAs are appealing because they "can be constructed to provide valued benefits while controlling many risks and helping contain the cost of retiree benefits," she explains. And employers have quite a bit of flexibility in the way they structure the benefit, she adds.

More traditional retiree benefits can leave employers with "an open-ended obligation" to provide health coverage, McArdle says. About half of all employers that offer retiree medical benefits now have a financial cap on future obligations, he says, citing results of a 2006 survey of large employers that offer retiree health benefits. "As they reach that cap, the share of the premium that the retiree has to pay goes up."

A retirement HRA, by contrast, typically is set up as an unfunded liability for employers. In those cases, contributions do not count as taxable income for the retiree, Toksu says. Employees can use the retirement HRA to pay for qualified medical care and/or insurance coverage (e.g., MA) when they retire. This also can help retirees transition from group to individual coverage, she explains. If a retiree's spouse has family retiree coverage through an employer, the HRA dollars could be used to offset other health care expenses.

### HRA Plans Cut Financial Risk

No employer today would start an open-ended group-retirement plan unless it knew what its costs would be over the next 10 or 20 years, says Bryce Williams, CEO of Extend Health, Inc. Along with capping the financial risk for employers, he adds, an HRA-based strategy helps employers give retirees a choice between MA, Medicare supplemental insurance and Medicare Part D pharmaceutical coverage. "It's almost impossible to do that with a single carrier," he says. Extend Health, a San Francisco-based firm that administers retiree health benefits, works with more than 30 carriers nationally that offer MA, Medicare supplemental and Part D plans.

Williams predicts that a majority of *FORTUNE* 1000 employers that now offer retiree health coverage will switch to an HRA-based benefit within the next three years. "We have met with over 100 of the *FORTUNE* 1000, and they all say it is a matter 'when' and not 'if' as to when they move to an HRA retiree model," Williams says. Extend Health is backed financially by Revolution Health Group, the company headed by America Online co-founder Steve Case, and venture capital firm Psilos Group Managers, one of Definity Health's original in-

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vestors. The company's clients include Ford and Chrysler, LLC.

"A little over a year ago, Chrysler decided to move to an HRA-based benefit for their white-collar retirees," Williams tells *ICDC*. The company's existing group Medicare supplemental plan "had open exposure in terms of costs, and it wanted to cap the subsidy. And to the extent that they can cap that off, they get an immediate relief on their balance sheet."

However, because HRAs typically are notional accounts and not funded with real dollars, retirees could be at risk. "Just because an [employer] promises to give each retiree an HRA does not mean it will be able to honor the obligation," says Devon Herrick, senior fellow with the National Center for Policy Analysis, a Dallas-based think tank. "That is largely why General Motors used a voluntary employees' benefits association (VEBA), which includes a trust to safeguard the money."

**Aetna Sees Slow, Steady Growth in RRAs**

Aetna, Inc., says it has seen increased interest in its retiree reimbursement arrangements (RRAs) since that product was introduced in May 2004. The insurer says 35 employer clients now offer an RRA (an HRA for retirees) to a total of 40,000 participants.

Some employers that already offer HRA-based coverage to active employees have allowed participants to roll balances into an RRA upon retirement. Employers can continue to contribute funds to those accounts, or can give retirees a lump sum, explains Marcia Vannuccini, product head of consumer fund services for Aetna. Some employers that don't now offer retiree benefits could use such a strategy to help attract and retain employees, she adds.

Employers that already have a CDH plan in place for active employees might find it easier to communicate the need to save for health expenses in retirement, McArdle says.

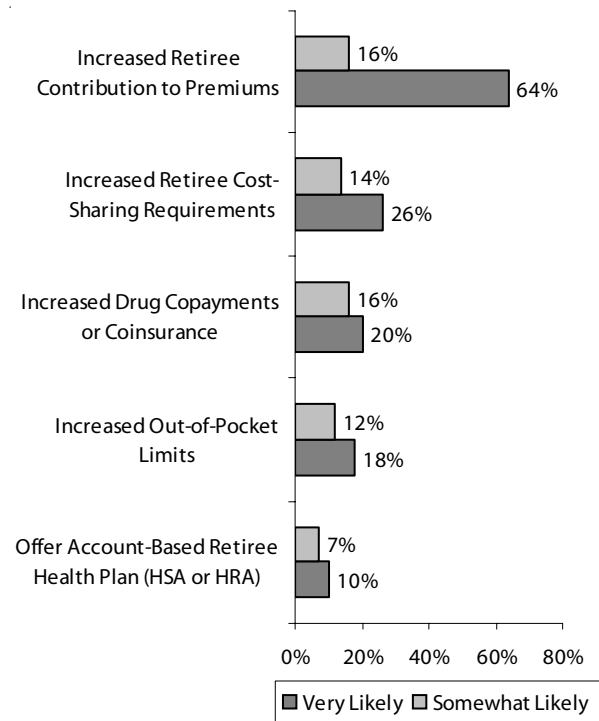
From an employer's perspective, the cost of administering a group benefit becomes less attractive when dealing with a retiree population, Williams says. "Employers like to maintain some control over an active group plan, but when it becomes your retiree population, you want to give them a choice of plans, give them a defined subsidy in the form of an HRA and allow them to select the individual Medicare plan that is right for them," he says.

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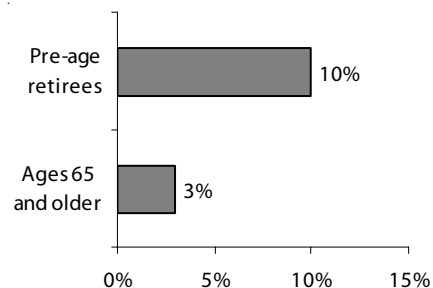
**Retiree Health Accounts Gain Steam Among Large Employers**

Results of an annual employer survey released last December by Hewitt Associates and the Kaiser Family Foundation found that 17% of large private-sector employers intended to move to an account-based retiree health benefit for the 2007 plan year. That percentage is up from 13% in the 2006 survey, and up from just 3% in 2004.

**Percentage of Large Private-Sector Employers Likely to Change Retiree Health Benefits for 2007 Plan Year**



**Employers That Offered Account-Based Retiree Plan for 2006**



SOURCE AND METHODOLOGY: Kaiser Family Foundation/Hewitt Associates 2006 Survey on Retiree Health Benefits, December 2006. Based on responses from 302 large, private-sector employers that offer health benefits to retirees.

## Minneapolis Utility Powers Up New HSA-Based Option for 2008

Between 5% and 10% of Xcel Energy's 10,000 employees are expected to enroll in a new HSA-based option when the company's open-enrollment period concludes in mid-November. Barbara Hartwick, director of health and welfare benefit plans, tells *ICDC* that she's optimistic enrollment will wind up "on the high end" of the company's expectations. Minneapolis-based Xcel is one of the nation's largest gas and electric utilities and operates in 10 states.

The HSA-based plan is being offered alongside two more traditional PPOs. The "richest" of the two PPOs has a \$200 annual deductible, but requires employees to pay a monthly premium, Hartwick notes. The HSA-based plan, by contrast, will have no monthly premium. The cost difference, combined with the company's annual HSA contribution, is enough to fund the HSA up to the deductible amount, Hartwick says. And once the annual deductible is met, the company covers 100% of medical expenses.

The HSA plan has a \$2,500 annual deductible for single coverage (\$5,000 for family coverage), which is partially offset by an annual \$560 HSA contribution (\$1,120 for family coverage). To help "soften the blow" of medical expenses early in the year, employees will receive the full HSA contribution on Jan. 1. Hartwick says her company traditionally has had exceptionally low turnover, "so we're not too worried about people walking out the door with the money." Xcel is self-insured and is using UnitedHealth Group to administer the new plan as well as the two PPOs.

About 50% of Xcel's work force are members of the International Brotherhood of Electrical Workers (IBEW) union. The HSA option will be made available to union employees in Texas and possibly Minnesota this fall and could be made available to union members in other

states as those contracts come up. While many unions have long opposed the CDH concept because it is seen as a takeaway from more traditional health plans, Hartwick says the IBEW was "very interested" in the HSA option. "I think what they like, and what we all like, is the opportunity to set aside some money for future medical costs," she says.

"Historically unions have not embraced these kinds of plans," adds Mark Bilderback, a benefits consultant in the Minneapolis office of Watson Wyatt who helped design the new plan. "But I think the unions believed that their members would like [the HSA] because it would help them save actual cash for retirement."

About 18 months ago, Xcel launched an educational campaign to help employees better understand the true cost of medical care and prescription drugs. Xcel explained the CDH concept to employees through newsletters, intranet messages and employee meetings. Xcel also invested in a disease-management program and retooled an existing smoking-cessation program to cover over-the-counter nicotine-replacement drugs. (Prescription smoking-cessation drugs require a small copayment). The company also emphasized cost savings of generic drugs over brand names and stressed the importance of personal accountability for health.

While the Internal Revenue Service requires the cost of prescription drugs to be included in the deductible, preventive drugs can be covered separately (*ICDC 10/12/07, p. 1*). Xcel employees will be responsible for "a small copay" for some preventive drugs such as those used for weight loss, birth control and smoking cessation. Prenatal vitamins will also be covered, Hartwick says.

Rather than immediate savings in health coverage, Bilderback says Xcel is much more interested in the long-term effect the plan could have on employee behavior. "If people can just get past looking at the deductible, they will see a very favorable plan," he says.

For more information, contact Hartwick at [barbara.l.hartwick@xcelenergy.com](mailto:barbara.l.hartwick@xcelenergy.com) or Bilderback at [mark.bilderback@watsonwyatt.com](mailto:mark.bilderback@watsonwyatt.com). ♦

<b>Xcel Energy HSA-Based Option for 2008</b>	
<b>Employee Payroll Deduction for Premiums</b>	<b>Zero</b>
<b>Annual Deductible</b> (in network)	\$2,500 — single \$5,000 — family (office visits and Rx covered at 100% after the deductible is met)
<b>Annual HSA Contribution</b>	\$560 — single \$1,120 — family (contribution will be made on Jan. 1, 2008)
<b>Annual Maximum Out-of-Pocket Limit</b> (includes deductible)	\$2,500 — single (in network) \$5,000 — family (in network)
<b>Lifetime Maximum</b>	No limit on individual lifetime maximums
<b>Preventive Care</b>	100% coverage for in-network services
SOURCE: Xcel Energy, October 2007	

## Humana Eases Employers Into CDH Over Three Years With 'No Worry'

Small businesses reluctant to try a CDH plan could find some comfort in Humana's new No Worry product. The insurer says the new program eases employers into a CDH product over three years and caps annual rate increases during that period. One employer client that spoke with *ICDC* has used the money it saved in lower premiums to fund employee-owned HSAs.

Ken Neyer Plumbing, Inc. in Cincinnati had several employee benefits meetings with insurance broker Jason

Suchanek before it signed up for the No Worry program, Suchanek says.

"This is a big change," he explains. But "it's knowing what...the rates are going to be, and [seeing] that you are making a good decision for the next three years." The company now knows what its rates are going to be through 2010, says Suchanek, who is with The Scheller Bradford Group.

"For an employer to come to Humana knowing what they'll pay for health care [coverage] over the next three years, they can budget and plan much more effectively," says Humana spokesperson Jim Turner.

Humana says its No Worry program lets employers choose from a number of packages that include three products. For example:

- ◆ **Year 1:** a PPO with \$60 coinsurance (\$90 for families), a \$500 deductible and \$2,000 out-of-pocket maximum;
- ◆ **Year 2:** Humana's CoverageFirst with a personal care account, \$70 coinsurance (\$100 for family coverage), a \$1,000 deductible and no out-of-pocket maximum;
- ◆ **Year 3(A):** CoverageFirst with a \$2,000 deductible; or
- ◆ **Year 3(B):** an HSA-qualified high-deductible health plan (HDHP) with \$70 coinsurance (\$100 for family coverage) and a \$2,500 deductible.

Humana says it guarantees clients that the annual rate increase will not exceed 6% in the second and third years if the employer provides three-fourths of its employees' phone numbers and e-mail addresses. That rate guarantee drops to as low as 4.5% if the employer provides 90% of the contact information. Employees must also complete a health risk assessment.

"We're working to enable our members to become savvier health care consumers. And education is a key," Turner explains. Humana uses the contact information to "work directly with employees when we need to, say, enroll them in a disease-management program, or make them aware of some of the wellness programs we have available," he adds.

Turner says small employers often seem reluctant to jump into an HDHP. "Employers are uncomfortable converting from their current offering to an HDHP without taking the time necessary to properly educate their employees. That's one of the reasons No Worry is a three-year program — there's time for the journey from a more traditional plan offering in the first year to a CDH plan by year three," he tells *ICDC*.

Jim Neyer, president of Ken Neyer Plumbing, says he told his 100 employees that a change in health coverage was on the horizon. "We have a lot of younger guys who really don't use their health care a lot, so we felt like we were paying high premiums that should go into an account that they can use in the future," he says. Those

employees now are "really happy to see contributions going into their savings account."

One issue the company has is a few employees who have high medication costs and don't yet have the funds in their HSAs to cover that, but Neyer says he is working to find a solution for them.

The company would have seen a 9% rate increase if it had stayed with its original health plan, Neyer says. It took that savings and now contributes \$1,200 for individuals and \$2,400 for families to the employees' HSAs in weekly increments, he explains.

Contact Turner at [jturner2@humana.com](mailto:jturner2@humana.com), Neyer at [jpneyer@neyerplumbing.com](mailto:jpneyer@neyerplumbing.com) and Suchanek at (513) 528-2400. ✧

## ConnectYourCare Acquisition Will Help PBM Tap Into CDH Market

Express Scripts, Inc.'s acquisition of CDH account administrator ConnectYourCare this month (*ICDC* 10/12/07, p. 7) could help the pharmacy benefit manager position itself to take advantage of growth in HSAs, health reimbursement arrangements (HRAs) and flexible spending accounts (FSAs), according to company officials. The pharmacy benefits manager (PBM) will provide ConnectYourCare with expanded access to employers, health plans and third-party administrators (TPAs), while ConnectYourCare complements Express Scripts' consumer-focused initiatives, including its CDHP offerings, the companies say. Terms of the deal, announced Oct. 11, were not disclosed. ConnectYourCare, which was part of Revolution Health Group LLC., will operate as a stand-alone unit, serving the CDH market.

"ConnectYourCare was not getting a lot of traction in the market because Revolution has not been getting a

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lot of traction in the market," asserts David Lenihan, CEO of Hx Technologies, Inc., a Philadelphia-based health technology firm that focuses on health records. "In Express Scripts' hands, it has a better home because Express Scripts has a lot of customers." Lenihan is the former CEO of CareGain, a CDH software firm that was acquired by Fiserv, Inc. in early 2006 (*ICDC 1/13/06, p. 7*).

ConnectYourCare was looking for a new national partner that had the "market muscle" to help expand its CDH offerings, says Terry Hunter, executive vice president of strategic business development at ConnectYourCare. Express Scripts provides PBM services to roughly 50 million people. "Express Scripts stood out as the firm that had the best vision of CDH, the most complementary distribution channel and approach to business," Hunter says.

Marc Palmer, CEO of ConnectYourCare, notes that industry analysts have estimated that the CDH market will grow to roughly 50 million members by 2010. *ICDC*

estimates that enrollment in such plans now stands at about 12 million. "Our view is that that is a fairly fragmented market, and there are a lot of people in that space trying to figure out what are the best entry points and platforms to use and products to offer," Palmer says. Even if the market doesn't reach expected levels, "that opportunity is an awfully large one," he adds.

Express Scripts says it already supports CDH plans by providing medical and pharmacy claims data to more than 50 carriers, health plans and third-party administrators (TPAs). The company also offers consumer education programs to plan sponsors.

### Acquisition Offers 'Significant Overlap'

Sandy Schneck, director of CDH at Express Scripts, calls the acquisition a good fit. "We envision significant overlap as we're able to introduce our clients and book of business to what we think is the best solution in the industry: ConnectYourCare," he says.

"Pharmacy is a very important component of most, if not all, consumer-directed plans," he says. "It's the most used benefit in terms of the number of claims. It is a great opportunity to interact with our members on a regular basis as they make decisions throughout the year. We think as [CDH] continues to grow, pharmacy is really the area where people should focus their energy, and make better choices, and hopefully get better health and financial outcomes."

Toby Rogers, executive vice president of DestinationRx, Inc., which offers Rx pricing comparison tools to HSA plans, says the pharmacy benefit is well suited for a CDH approach. "Pharmacy costs are the most controllable type of health care spend, and consumers are really beginning to understand this," Rogers says. Tools are now widely available to help patients understand their drug options and how they work, he adds.

But Rogers contends the pharmacy benefit also can be a hurdle for CDH plans.

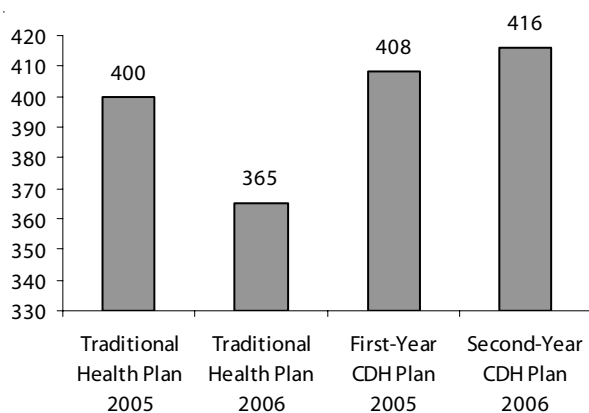
"Our experience shows that when a consumer is choosing a plan, they tend to overemphasize the most predictable costs, which is often their drug costs," Rogers says. "For example, someone with a choice between a [preferred provider organization] or an HSA may choose the PPO based heavily on their pharmacy out-of-pocket [costs], when they should be taking into account the long-term benefits of a CDH plan, and considering all health care costs."

Contact Hunter, Schneck and Palmer through Rita Holmes-Bobo at [rholmesbobo@express-scripts.com](mailto:rholmesbobo@express-scripts.com) and Rogers at [toby.rogers@drx.com](mailto:toby.rogers@drx.com). ♦

### CDH Enrollees Are More Likely to Seek Preventive Care, CIGNA Says

CDH enrollees are more likely to seek preventive care visits than are members who are enrolled in more traditional types of health coverage, according to a study released this month by CIGNA Corp. In the first year with a CDH plan, enrollees were only 2% more likely to seek preventive care than were other enrollees. However, in the second year of the plan, CDH enrollees were about 14% more likely to seek preventive care services than were other enrollees, according to the study.

#### Preventive Care Visits per 1,000 Members



SOURCE AND METHODOLOGY: CIGNA Corp., October 2007. Based on an analysis of claims data from 111,000 CIGNA Choice Fund members and a control population of 320,000 HMO and PPO enrollees from the same 119 employer clients.

## Local Governments Turn to CDH

*continued from p. 1*

month to implement a pre-enrollment education program for employees. The county's month-long enrollment period concludes Nov. 9.

Both HSA-qualified plans include a \$1,500 annual deductible for single coverage. The county will not contribute to employee HSAs. And because employee-paid premiums for the new plans aren't substantially lower than premiums for some of the more traditional options, Meyer says the plans likely will appeal only to employees who want to use an HSA to shelter money from taxes.

Last April, Sacramento County introduced a health reimbursement arrangement (HRA) to help employees pay for health coverage in retirement. The county contributes \$25 per biweekly pay period to each employee's HRA account. The money becomes available to the employee when he or she leaves employment. Unlike for HRAs offered by private employers, the county funds the accounts with real rather than notional (e.g., virtual) dollars, Meyer says.

### Nashville Offers HRA Incentives

Nashville and Davidson County's new HRA-based plan will be administered by CIGNA Corp. and offered alongside a more traditional PPO from BlueCross and BlueShield of Tennessee, says Benefits Manager Ginger Hall. Six health plans responded to the request for proposals, but Hall says CIGNA seemed to have "the best all-around knowledge" of CDH plans. "The Metro Employee Benefits Board didn't want to reduce health benefits this year, but they wanted employees to be more engaged in their health," Hall explains.

Employees who enroll in the new HRA-based plan will have a \$1,500 deductible for single coverage (\$3,000 for family coverage). The deductible will be offset by an annual \$1,000 HRA contribution (\$2,000 for family coverage). Once the deductible is met, enrollees are responsible for 10% of in-network expenses up to a maximum of \$500 for single coverage or \$1,000 for family coverage.

To help offset out-of-pocket costs, employees can earn an additional \$100 HRA contribution if they complete an online health risk assessment and another \$100 for participating in a "Well Aware" disease management program. The city also will make a \$50 HRA contribution to employees who participate in a tobacco-cessation program. Enrollees who are expecting a child can receive an additional \$150 HRA contribution for participating in a Healthy Pregnancies program if they enroll during the first trimester of the pregnancy.

Hall admits the educational effort was "a big undertaking." Along with newsletters, Web messages and mailed information, the city had information about the

2008 health plan options broadcast on a local television station. In addition, the human resources staff conducted 138 informational meetings across the city — about 7,000 employees and spouses attended.

Another Davidson County (this one in North Carolina) has had an HRA-based plan in place since July 1. About half of the county's 800 eligible employees are enrolled in the new plan, says Jim Tysinger, director of human resources. Unlike most HRA-based plans, Davidson County, N.C., has placed 50% of the annual deductible in front of the HRA. Employees with single coverage, for example, pay expenses up to \$500. The next \$500 in expenses is then reimbursed by the city through an annual HRA contribution. After that, the city covers 100% of expenses.

Prior to adding the HRA plan, employees had a PPO with a \$500 annual deductible. "After the deductible, we paid the next \$500 anyway, so we decided by [offering an HRA], employees would be made more aware of the cost of health care," Tysinger says. "A lot of employees think that once pay their deductible, there is an empty well of money.... We hope this encourages them to be a little more frugal."

### Charleston Begins Third Year With CDH

In 2006, the city of Charleston, S.C., made an HRA-based plan and an HSA-qualified high-deductible health plan (HDHP) available to its 1,600 employees. The two CDH plans are offered alongside a more traditional PPO. Both plans have a \$1,100 annual deductible for employees with single coverage. Once the deductible is met, enrollees are responsible for 20% coinsurance. Those who enroll in the HRA-based plan receive a \$500 annual HRA contribution. While the city doesn't contribute to HSAs, HDHP enrollees don't pay a premium, says Assistant Chief Financial Officer Joleen Deames.

This year, Charleston switched carriers from CIGNA to BlueCross BlueShield of South Carolina because a local hospital will no longer be in CIGNA's network after the first of the year.

All insured city employees receive first-dollar preventive coverage up to \$1,000 per member. This year, the city opted to cover colonoscopies, which can cost as much as \$1,500, separately.

"We have a somewhat older employee population, and we didn't want the cost of the test to count against" the preventive care benefit, she says. The city also offers its employees a three-tier pharmacy benefit. Generic drugs are paid entirely by the city. More than 50% of all drugs prescribed to enrollees are generic as a result, Deames says.

The City of Medina, Minn., will begin its second year with an HRA-based plan on Jan. 1. About 15 of the city's 22 eligible employees are enrolled in the plan. Jodi

Wunsch, assistant to the city administrator, says she expects enrollment could increase slightly for 2008. The enrollment period will be held in November. Under the plan, employees with single coverage have a \$2,500 annual deductible (\$5,000 for family coverage), which is offset by an annual HRA contribution of \$1,250 (\$2,500 for family coverage). Employees who enroll in the more traditional "high-option" plan will contribute \$271 a year in premiums. Those who select the CDH plan do not pay any premiums, Wunsch says.

Thorp, a small city in western Wisconsin, could trim its health coverage costs by more than \$10,000 a year by moving to an HRA-based plan for its 11 employees, says City Administrator Randy Reeg. The plan has not yet been approved by the city council. The proposed plan, which would go into effect on Jan. 1, would mean the

city's premiums would increase less than 1% from 2007 levels. Premiums for the existing health plan are expected to jump 11.2% for 2008, Reeg says. If approved, the HRA-based plan would have a \$1,000 annual deductible for single coverage (\$3,000 for family coverage), but would be offset by a \$500 HRA contribution (\$1,500 for family). The city will continue to pay 90% of the annual premium.

"Through the implementation of HRAs, we'll be able to offer prescription drug coverage, which we currently don't cover at all, and still realize the savings," Reeg says.

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## INDUSTRY NEWS

◆ **Humana Inc. says it has entered into a partnership with Republic Bancorp, Inc. (the parent company of Republic Bank & Trust Company) to offer a new health care credit card.** The Humana *Advance* Card can be used only at hospitals, doctor and dentist offices, drug stores and other locations that sell and provide health-related products and services. The card's payroll deduction option is powered by E-Duction, Inc. and gives consumers access to an interest-free credit line for health care expenses. The card will be made available to a "select set" of Humana's employer customers in October. In a prepared statement, Beth Bierbower, vice president of product innovation for Humana, called the card "a great tool" for employees to use in conjunction with CDH plans. Visit Humana at [www.humana.com](http://www.humana.com).

◆ **athenahealth, Inc., which furnishes Internet-based business services for physician practices, says it has developed and launched a "fully-integrated all-payer platform"** that will enable its clients to perform real-time adjudication of medical claims at the point of service. The company says it was able to achieve this through co-development efforts with Humana, which has more than 480,000 physicians in its network, and Availity, LLC., a health care transactions firm. athenahealth says the new platform allows physicians and their staff to submit a claim at the time of service, receive a fully adjudicated claim response from the payer within

seconds and collect the appropriate payment for services that qualify for real-time claim adjudication before the patient leaves the office. athenahealth and Humana piloted the program in three states over the past year. In a prepared statement, Usman Mirza, CEO of The San Antonio Orthopaedic Group, a pilot site, said, "As high-deductible health plans continue to increase over the next few years, medical groups will grow increasingly frustrated if they have to perform [claims adjudication] differently for each payer."

◆ **Members who have either an HSA or a health reimbursement arrangement have lower medical costs and are more engaged in seeking out more cost-effective care** than those with other forms of health coverage, according to a study released Oct. 23 by HealthPartners, a Minnesota-based health insurer. The analysis shows that even when adjusted for illness burden, health care costs were 4.4% lower for HealthPartners members in these CDH plans compared to members covered by more traditional plans. The executive summary of the study is available at [www.healthpartners.com](http://www.healthpartners.com).

◆ **Sovereign Bank says it has launched a new online enrollment feature that will allow HSA owners to open and set up funding for their accounts in a single online session.** The new program is based on Canopy Financial's Web-based HealthDirect operating platform. Visit Canopy at [www.canopyfi.com](http://www.canopyfi.com).

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