

## **Consumer-Directed Health Plans - What You Need To Know**

It's difficult these days to pick up a paper, magazine or turn on the television or radio and not hear something about consumer-directed health plans (CDHPs). Many experts feel the key to managing health care costs is putting more health care decisions - and health care spending decisions - into the hands of informed consumers. And the growth of these CDHPs has been staggering.

The concept might be simple, but because it's a relatively new and different way of thinking about health care, CDHPs can be confusing. Here are the basics:

- A CDHP is a high-deductible health plan that is paired with a financial account.
- The financial account can be funded by the member, employer or both.
- Members decide where and when to use the money in the account to pay for eligible medical expenses.

### **What is so different and why should you care?**

One of the main goals of any consumer-directed health plan is to get consumers more involved in and informed about their health care. That's important for everyone because informed health care consumers may make wiser health care decisions - which can lead to better health outcomes and ultimately lower costs.

But haven't consumers had control in the past? The answer is yes, somewhat. Consumers have always been able to decide when to see the doctor, to get second opinions on their care, or get a referral to a specialist. But they were also limited to seeing providers in their health plan's network. With a CDHP, the consumer can see any doctor or specialist and has many tools available to help compare quality and costs.

The distinguishing feature of a CDHP is the financial account. Health Savings Account (HSA).

With an HSA, the employer and the employee can contribute to the account. The employee's contributions often are made with pre-tax dollars. Unused funds carry over from year to year and the money belongs to the employee. So even if the employee leaves the company, the account goes with him or her. Money withdrawn to pay for eligible medical expenses is also not taxed.

### **The Future of Health Care**

CDHPs are gaining popularity because of their potential to help keep health care costs down. Businesses are able to continue offering a health plan as a benefit of employment and individuals can have a plan that's designed to meet their needs at a more attractive rate.

For these reasons, most health plans around the country are offering a consumer-directed option to their product lines. According to a study by Watson Wyatt Worldwide in New York, enrollment in consumer-directed plans grew to 478,000 in 2004, up from 169,000 in 2003. And about one-third of large companies are offering consumer-directed health plans to workers in 2005, compared to about 21 percent in 2004.

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