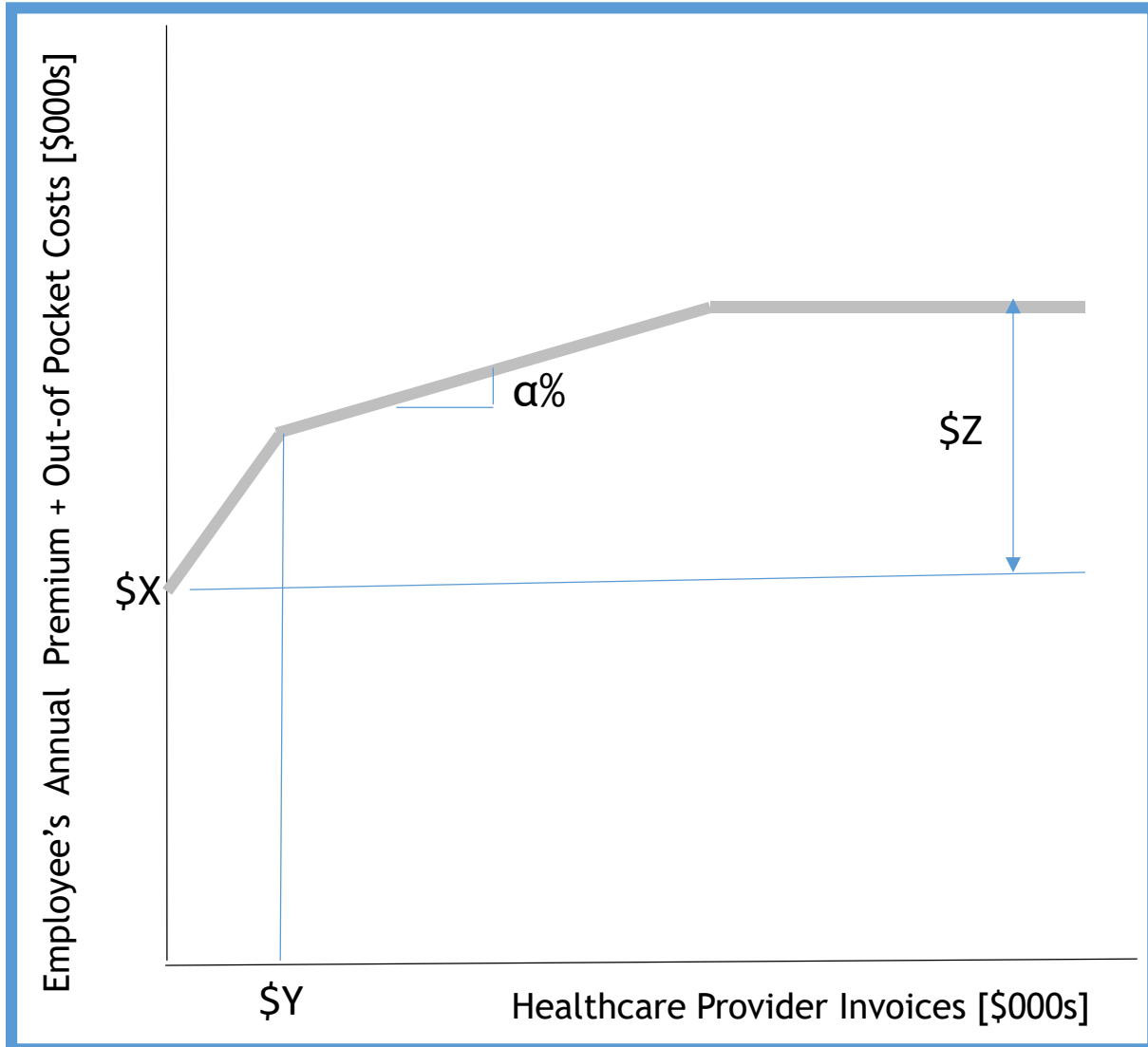


## Case Study – Health Plan Economics at the Commons

In the fall of 2015, interested employees at the Commons were given a tutorial about health plan economics from the point of view of the employee



As illustrated in the chart above, the “financial deal” being offered to employees in the form of their health care plan options can be boiled down to four variables

- Employees agree to pay \$X in annual healthcare premiums for coverage for the year to come.
- They must pay 100% of the first \$Y of provider invoices before receiving any insurance reimbursements for some plans (\$Y is the “deductible amount”).
- After meeting their deductible, employees must pay  $\alpha\%$  of provider invoices (in the form of co-payments and coinsurance) until reaching \$Z, their “out-of-pocket” maximum, at which point insurance covers 100% of additional provider charges.

- Y,  $\alpha\%$  and Z vary for In-Network and Out-of-Network providers, making things more complex than shown on the exhibit.

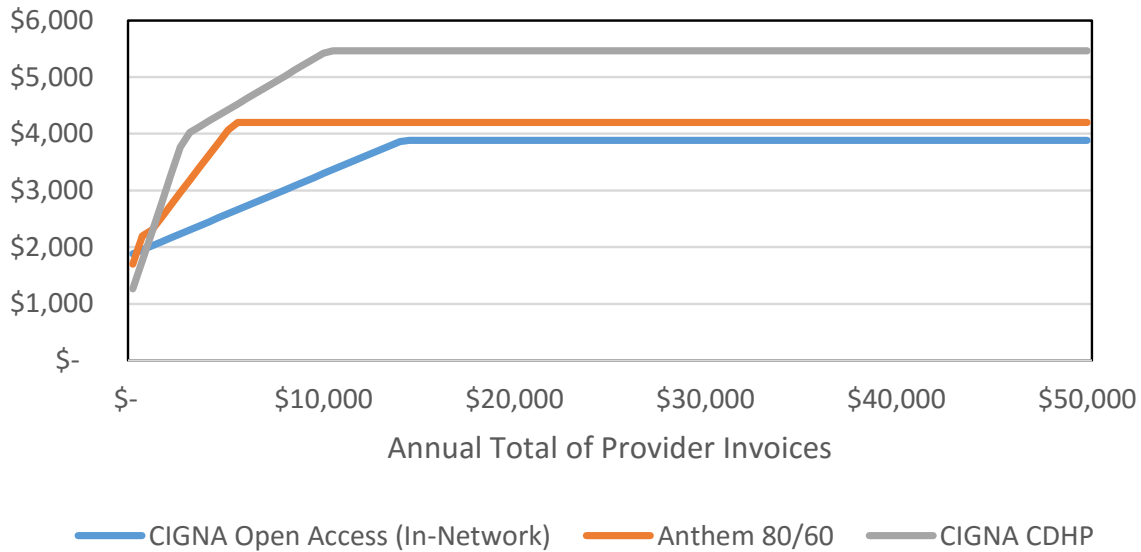
Carriers define \$Y,  $\alpha\%$  and \$Z, and the plans ECCT offers to parishes have been selected so that they differ along these important dimensions. Parishes can determine \$X so long as they cover at least the required employer % contribution to the premium cost. For 2018, the \$Y,  $\alpha\%$  and \$Z for the health plan options being offered to employees are shown in the table below (for single coverage plans and in-network provider expenses).

	Deductible Amount (\$Y)	Copayment/ Coinsurance % ( $\alpha\%$ )	Out of Pocket Maximum (\$Z)	Total Annual Premium	15% of Annual Premium (\$X)
CIGNA Open Access (In Network)	\$0	\$25/0%	\$2,000	\$ 12,540	\$1,881
CIGNA CDHP	\$2,700	\$0/25%	\$4,200	\$ 8,436	\$1,265
Anthem 80/60	\$500	\$25/20%	\$2,500	\$ 10,764	\$1,615

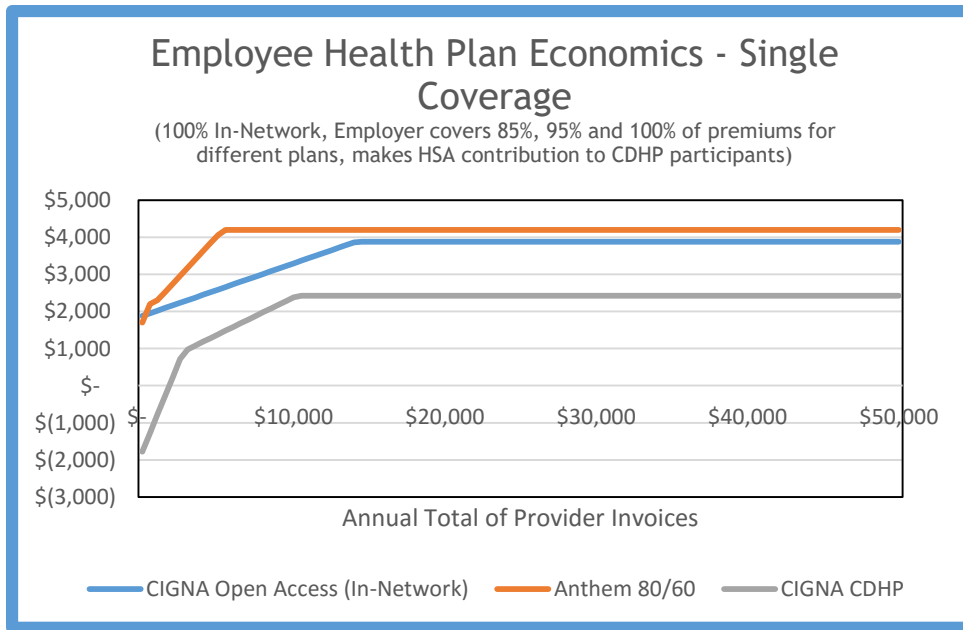
With this these plan structures in place, employees will be responsible for different amounts for the same level of provider expenses, as shown below. For 100% in-network provider expenses, the CIGNA Open Access (In-Network) plan, with the highest premium, \$0 of in-network deductible and the lowest maximum out-of-pocket expenses would have the lowest employee costs for all but the lowest level of annual provider expense situations, as shown below.

## Employee Health Plan Economics - Single Coverage

(100% In-Network, Employer covers 85% of premiums for all plans)



Confronting this set of employer economics, the Commons implemented differential support for these three plans, covering 100% of the CIGNA Consumer Directed Health Plan, 95% of the Anthem 80/60 plan and 85% of the Anthem Open Access (In-Network) plan. In addition, 100% of the difference in the *employer's* premium for the Open Access and CDHP plans was credited to the Health Savings Accounts of employees who selected the Consumer Directed Health Plan in 2016 and 2017. In 2018, 80% of the employer's premium savings between the Open Access and CDHP plans will be contributed to Health Savings Plans for employees who select the CDHP plan. These changes in the employee's premium costs dramatically changed the relative attractiveness of the same three health plans as shown below. In fact, employees selecting the CDHP can experience "negative expenses" (or a financial gain) if their annual healthcare provider costs are very low, reflecting ECCT's contribution to their Health Savings Accounts.



[Health Savings Accounts were created by Congress over 10 years ago and can only be opened by individuals with health plans that are structure=rally similar to CIGNA’s CDHP. Both employers and employees can contribute to HSAs, but they are “owned” by employees, who take their HSA balances with them when they retire or change jobs. There are no “use it or lose it” conditions for HSAs, and unused balances roll over from year to year. More information on HSAs can be found at [https://en.wikipedia.org/wiki/Health\\_savings\\_account](https://en.wikipedia.org/wiki/Health_savings_account), <https://www.healthinsurance.org/glossary/health-savings-account/>, and <http://www.mayoclinic.org/healthy-lifestyle/consumer-health/in-depth/health-savings-accounts/art-20044058>].

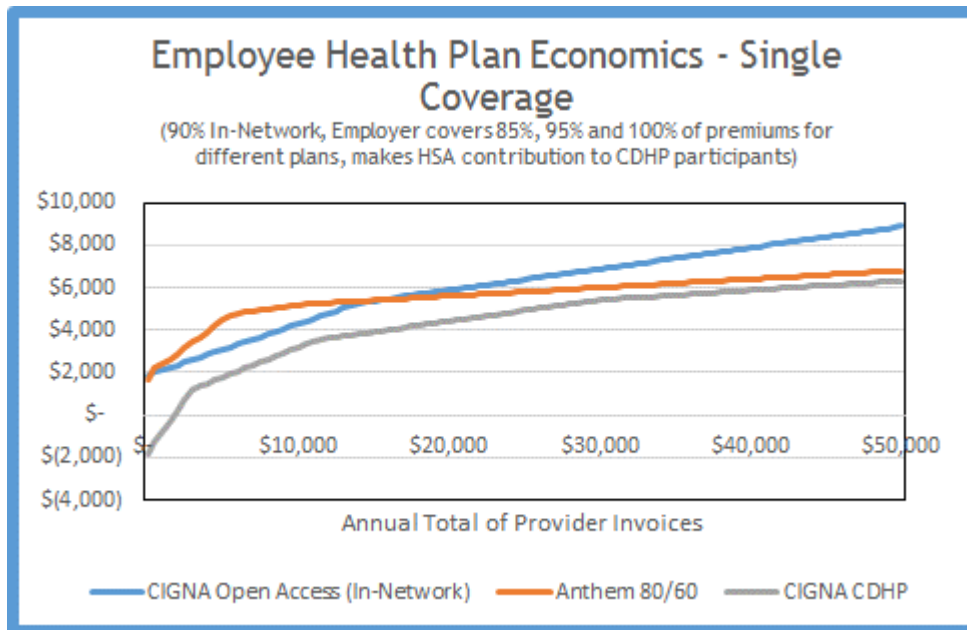
With these changes, the CDHP is the most attractive option for all provider invoice amounts. With this shift, employees are more likely to select the now have an incentive to discuss the costs and benefits of tests and procedures with their healthcare providers. There have been many reports of healthcare providers offering useful guidance to their patients when this question is broached.

When this “healthcare economics” information was shared with ECCT employees, they have felt informed and comfortable in reconsidering their options, and many have shifted from the Open Access to the CDHP.

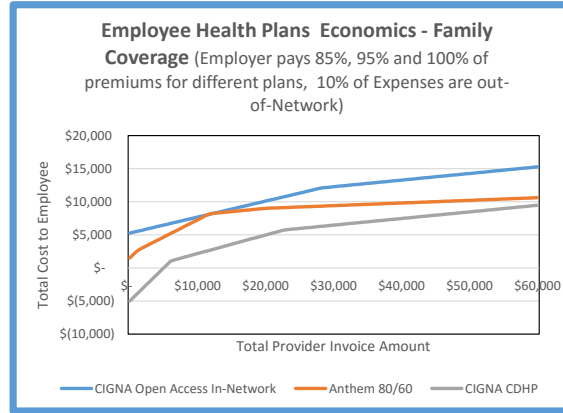
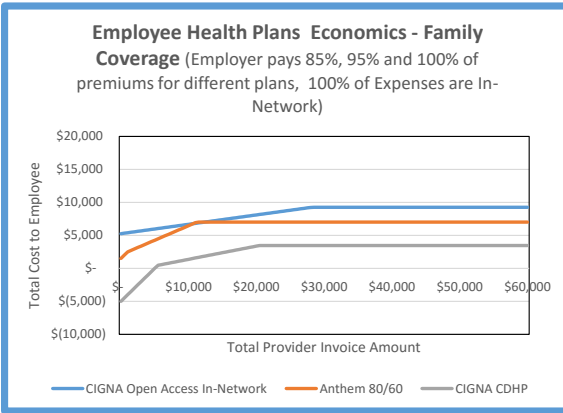
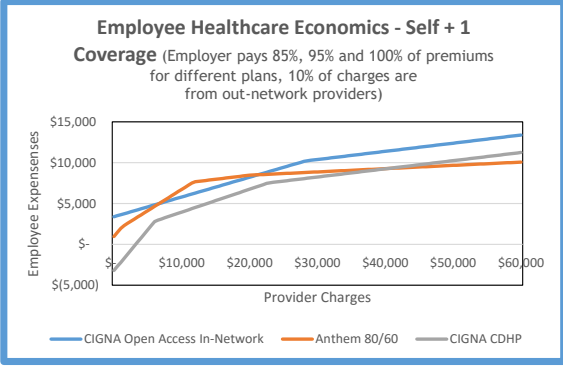
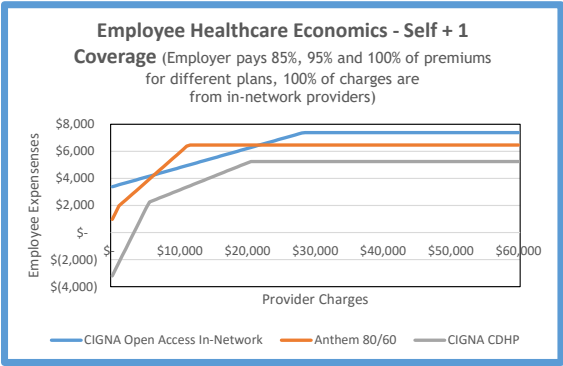
In fairness, the example above, by portraying a scenario in which 100% of healthcare charges are generated by in-network providers, simplifies employee economics. The three health plans being offered to employees have different deductible and out-of-pocket maximum amounts for out-of-network medical charges. This results in incremental expenses beyond those shown in the exhibit above. This impact is most significant for the Open Access plan, which offers generous coverage for in-network charges, but is far less supportive for out-of-network charges, as shown in the table below. The lack of an out-of-pocket maximum and the lack of coverage for out-of-network provider charges make the Open Access plan (generally perceived to have the most generous coverage) an expensive option for employees who utilize providers (including specialists or hospitals) that are outside of CIGNA’s network.

Plan Package Options	In-Network Deductible	Out-of-Network Deductible	Maximum In-Network Out-of-Pocket Expense	Maximum Out-of-Network Out-of-Pocket Expense	In-Network Office Visit Co-Payment	In-Network Hospital Admission Co-Payment	In-Network Co-insurance	Out-of-Network Co-Insurance
CIGNA Open Access Plus In-Network	\$0	\$0	\$2,000	[None]	\$25	\$250	0%	100%
Anthem 80/60	\$500	\$1,000	\$2,500	\$5,500	\$25	\$100/ \$600 max.	20%	40%
CIGNA Consumer Directed Health Plan/HSA	\$2,700	\$5,450	\$4,200	\$7,000	\$0	\$0	20%	45%

The impact of the absence of this coverage for the Open Access plan can be seen in the exhibit below, which assumes that 10% of medical charges originate with out-of-network healthcare providers.



The economics shown for single coverage in the exhibits above are representative of those that are relevant for self +1 and family coverage as well, both for 100% in-network provider charges as well as for the circumstance in which a portion of provider charges (10% in the scenarios below) are due to out-of-network healthcare providers.



**Summary**

Parishes can use the ability to pay a different % of health plan premiums so long as they pay at least 85%. They can also elect to contribute to Health Savings accounts for employees that select the CIGNA Consumer Directed Health Plan. As shown in this case study, these two options can change the financial outcomes faced by employees for different levels of provider expenses they incur from their health plan options