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EMPLOYER DRIVEN BENEFITS

The Looming Impact of "Consumer Driven Plans" such as HSAs and HRAs On Health care Providers

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Consumer Driven is certainly the insurance industry's battle cry for controlling the ever burdensome increase of health plan premiums. Carriers consistently increase premiums by double digits and High Deductible Health Plans (HDHP) continue to enter the market. Brokers are responding to the employer's cry for relief by enrolling employers in an HSA compatible HDHP and educating them how to implement an HRA plan along with a HDHP. This trend in the industry is something most health care providers are looking forward to becoming more wide spread due to their current experience with patients having high deductible health plans and no funds in the bank to cover claims.

People continue to ask whether HSAs and HRAs are good for the health care industry. Shouldn't we anticipate the short and long term effects to the market? How will employers and employees benefit? What impact will they have on health care providers? Are they good for brokers and carriers? The answers are and will continue to be alarming over the next 3-5 years as we try to analyze the role we all play in the system. One of the most impacted areas in the industry are the health care providers. They are looking for answers and want to be positive players in the industry without fear of losing their financial bearings from patients who aren't able to afford the rising out of pocket expense brought on by high deductible health plans.

Problem: Part 1

Everyone in the country can outline the basic problems. Seven years of escalating premiums have forced employers, particularly small employers, to the brink of giving up their support for an employer sponsored health plan. As premiums increase employers are forced to reduce benefits and/or withhold more from employee's payroll to cover the additional cost. This is a problem.

Employers are now faced with offering their employees HDHP's in hopes of taking some of the burden off of them with the rising cost in premiums. Unfortunately these plans come with a higher out of pocket expense for the employees. High deductibles are becoming more and more the norm in the industry.

The problem health care providers are having with this growing trend are unpaid medical claims, under-funded HSA accounts, and additional accounting expenses in trying to collect for unpaid bills. Employees often cannot afford the expense of taking on the higher deductibles. This affects health care providers, employers, and employees. Employers can no longer attract or retain good employees with their company's medical plans. Whether employees actually use the plan or not; they are seeing their out of pocket cost go up in two ways. They see increased payroll contributions and an out of pocket maximum which can reach over $10,000 per year on the most popular of plans. Many employees opt out of receiving much needed care because they can't afford the rising costs. Providers are then stuck with the burden of patients dealing with illnesses that could have been prevented if the patient would have undergone basic preventive care.

Industry response and its impact

Carriers and brokers responded to this impact by offering HDHPs that can be implemented with or without HSAs, HRAs, or MERPs. The impact of these industry responses to the "problem" varies and to a great degree HSAs actually create a bigger problem for employers, employees, and providers. The industry's cure may actually make the patient sicker, if you pardon the metaphor.

The premium is certainly reduced when an employer enrolls its employees in HDHP, but what is the future impact on employees, employers, and providers?

Problem: Part 2

The provider issue may be a greater threat to future cost and accessibility than anything else. We can't afford to be short sighted as we address the solutions for controlling health care cost. To understand this point, one must listen to the conversations coming from within the provider community. We've spoken to multiple providers and our conversations have included many similarities. The following statements are taken from conversations with CEOs, CFOs, and COOs of providers in California. Names are withheld by request.

Provider Representative, " We are seeing an alarming increase in the number of patients who have a HDHP arrive for treatment but have no money in their bank account or HSA to pay for the treatment"
Provider Representative, "Our accounts receivable are increasing dramatically as we treat patients with HDHPs but the patient has no funds from which to pay for the treatment. We are then forced to let the patients pay for the service over time. Many patients are unable to pay anything".
Provider Representative, "It seems unfair for us to negotiate discounted fee arrangements with carriers only to have those carrier market plans which leave us in the position of not getting reimbursed from the carrier or patient for services rendered. Carrier health plans that give the patient as much as $10,000 out of pocket put the burden of payment for services directly on the back of providers ".
***Provider Representative*,** "We are forced to let patients with HDHPs get their service even when we know they will be unable to pay. We can't turn patients away without looking like we are not serving the public. We negotiated our contracts with carriers in good faith but then the carriers sell health plans leaving the member with huge out of pocket exposure".

Each of these providers identified their issue clearly and stated that it lies in two areas.

1. Traditional plans with coinsurance leaves the patient with large out of pocket amounts.
2. Carriers and brokers are implementing HSA plans in an attempt to lower cost but then no one is funding the HSA.

Many in the insurance industry may not be sympathetic to the provider's position but we should be. Providers are aware that a problem is looming. They are not banking institutions and shouldn't be expected to carry the financing for health care.

Help for Providers

A growing number of providers have stated that they do not have these problems with patients when their employer implements an HRA along with the HDHP. The providers did not immediately recognize the difference until patients started educating the provider's billing department. The billing department quickly realized that the deductible was being shared by the employer and thus the provider could provide services and know it would receive reimbursement.

Provider Representative, "We started hearing from our billing and admin departments that patients were arguing with admissions about their HDHP. The patients were stating that their employer would pay for part of their deductible".
Provider Representative, "We analyzed the benefits for these patients with HRAs and discovered that small employers were paying for a portion of the claims cost under the member's high deductible. We were obviously pleased that reimbursement for services would come from the employer".
Provider Representative, "Previously we only saw large employer groups providing benefits in this manner. Now small employers are enrolling their employees in plans with deductibles from $2000 to as much as $5000. They then help their employees by paying for a portion of the cost under the HDHP. Employers are taking on more risk in order to provide benefits to their employees"
Provider Representative, "It is unfortunate that employers must bare the brunt of the cost passed on by insurance carriers but HRAs allow providers to treat patients and know a reasonable reimbursement will be paid."

Conclusion

It is becoming clear that the insurance industry's short term solution of a HDHP and HSA is creating a long term problem; which may explode into an even larger problem. HSAs can be a successful funding mechanism for frugal thrifty employees when funded by employers; however HSAs implemented with the employee funding their own HSA is seldom a workable strategy and leads to the problems stated previously.

According to CFOs and CEOs of large provider organizations, HRAs and MERPs provide real benefit solutions and lower health care cost. Providers are impressed to see smaller employer groups step to the front in an effort to both control cost while maintaining a high level of benefits for employees.

Many experts predict health care premiums will continue to rise by double digits and we cannot continue to simply implement HDHPs and HSA plans as the solution. It is our responsibility in the industry to take the challenges that are impacting and looming over health care providers by offering employers the opportunity to offer a solution alongside of the HDHPs in a way that will benefit and take some of the financial burdens off of providers. Employers have also been "fed up" and frustrated with the current strategy of double digit increases to premiums. It is time for the industry to accept the small employer's willingness to become an active partner in creating and paying for today's health care benefits.

The last thing we want is for providers to join employers in their frustration with health plans. Then the industry may be forced into change by our friends in the legislature. That won't be a good solution for anyone.

Finally

The delivery of health care to small employers and their employees involves insurance carriers, health care providers, employers, employees, and brokers. Employers, employees, and providers are demonstrating their willingness to work toward new and creative solutions to what is called a health care crisis. Isn't it time for brokers and carriers to step forward and work with small employers and health care providers to solve these problems and to insure the solvency of the best health care system on the planet?

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