

Consumer Directed Health Care Model



"It's ridiculous that small companies are continuously punished, while large corporations and unions have access to deals that help keep their health care costs down. In addition to the hassle of just maintaining affordable coverage, my time is wasted spending countless hours on the healthcare renewal process. The time we spend filling out the necessary forms cuts into production time and other areas which I could be producing a quality product for my customers."

Skip Trotter, Owner - Manufacturing Company, Illinois

Is it possible for today's small businesses to maintain affordable coverage?

Are the fears of uncontrollable benefit costs greater than the fears of keeping your current plan?

NOW
may be
the time
to put a CDHC model
into operation!



Phyllis Burlage
Accounting Firm, Maryland

Tough Choices

"Without the ability to shop for affordable options, we are left with the choice to shift costs or drop coverage."

NFIB Publication

The Basics of Health Care (Educating and Empowering)



Medical Inflation

- Less than 5% per year!

Insurance Premium Inflation

- More than 10% per year!

Why the disconnect? It is rather simple... the person accessing health care is not paying the bills.

*Imagine someone telling you they would like to buy you a new car, but you must choose between a Mercedes Benz or a Ford Escort. **Which one would you choose?***

*Now, imagine this person decides instead of buying you a new car, they would rather just give you \$100,000 to purchase a car of your choice, and, in addition, you are allowed to keep the unspent money! **Now, which car would you choose?***

If we had control of our health care dollars, and could keep a portion of the unspent dollars, we would make different decisions. Some might choose the “Mercedes” option and spend all the money; others might choose the “Ford” option.

The result...inappropriate health care utilization is voluntarily controlled.

When the Consumer/Patient has control of their health care dollars, costs will be controlled, quality of care increased, and innovation rewarded. A major problem with escalating health care costs is that the medical market has been insulated from free market forces.

Consumer Directed Health Care will align insurance premium inflation with medical inflation.



OVERVIEW FOR EMPLOYERS

Apples to Apples (Low Deductible Policy)



Controls escalating health care costs?

NO

Primary burden for premium costs?

Employer

Unspent health care dollars saved?

NO

Employee Satisfaction:

- Variable
- Employee entitlement high
- Employee cost-oblivious

Employee Concerns:

Co-Pay/Deductible

Coverage after employment ends?

NO

Portable coverage?

NO

Approximate cost for this option? _____

If your premiums are increasing by 15%/year, your benefit costs will double every 4-5 years.

Most people judge the value of their plan according to the co-pay and deductible.

However, it is important to calculate the cost of the deductible.

It might surprise you to realize that you are paying hundreds of dollars per year for a \$10-\$20 co-pay!



Analyze your benefits and determine your monthly costs per individual and family.

Clarify what your goals are:

- 1) Cost Control
- 2) Enhanced Benefits
- 3) Long-term Solutions
- 4) Employee Satisfaction
- 5) Improving the "Bottom Line"
- 6) Getting Out of Health Care Purchasing!

OVERVIEW FOR EMPLOYERS

Apples to Bananas (High Deductible Policy)



Controls escalating health care costs?	YES
Primary burden for premiums costs?	Employer/Employee
Employee Satisfaction:	
• Variable	
• Employee entitlement persists	
• Employees are more cost-conscious	
Employee Concerns:	Co-Pay/Deductible
Coverage after employment ends:	NO
Portable coverage:	NO

Approximate cost for this option? _____

This option will help control costs, but does not engage the employee in the solution. Unless the employee is aware of the costs of health care, inappropriate utilization of health care will not change. Employees may make health care decisions based on personal preferences. When given the ability to save a portion of the unspent dollars, they will make wise decisions. The RAND data supports the fact that preventive care is not avoided in this model.

It may be surprising that individual policies may be more competitive than group policies!

Begin to shop around for prices on group and individual policies. It may surprise you to see that the individual market is very competitive in most states.

Consider the two options for the Consumer Directed Health Care Model:

- 1) Insurance plus a pre-tax medical account.
- 2) Give the employees the money in a pre-tax medical account.

OVERVIEW FOR EMPLOYERS

Apples to Cantaloupe (High Deductible and an HRA/HSA)



Controls escalating health care costs?

YES!

Primary burden for premiums costs?

Employer/Employee

Employee Satisfaction:

- High
- Employee entitlement decreased
- Cost-conscious employees

Employee Concerns: Choices (providers and appropriate utilization of dollars)

Coverage after employment ends:

YES!

Portable coverage:

YES!

(COBRA, Insurance Premiums, Approved Medical Expenses may be paid for with pre-tax dollars!)

Approximate cost for this option? _____

Benefits Should “BENEFIT”

- Employee controls their healthcare dollars.
- Employee determines where their money is spent.
- Employee has the potential to save unspent money.
- Employee has money for future medical needs.

Health Savings Account (HSA): Employee controls the money these accounts. Employer/Employee may contribute.

Health Reimbursement Arrangement (HRA): Employer credits employees' account monthly for qualified medical expenses.

“The definition of insanity is expecting to get different results by doing the same thing over and over again.”

Albert Einstein

Change! The greatest fear of man is the fear of change. If your current broker or insurance agent is not giving you the answers for your long-term needs, consider making Liberty Benefits Group your Broker of Record. This will allow us to serve you with your short-term needs while working on long-term solutions!

Unless you can accommodate double digit premium inflation, now is the time to change!

The Consumer Directed Model Conversion Steps



Step One - Determine how much you are spending per month for your group.

Step Two - Decide which option is most attractive to you (Apples, Bananas, or Cantaloupes). Share this with your Insurance Agent/Broker. If they are doing a good job, we want them to keep your business. You may choose to call to discuss your options.

Step Three – A plan design will be presented that includes implementation strategies, timelines, and management options for cost control of health care benefits. This plan usually allows employees to keep their physician. Employee satisfaction is very high with a Consumer Directed Model. This model is a win for the employee, employer, and the health care community!

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