IACIR Meeting on Managing Employee Health Care Costs

Hendricks County
Our Experience with Health Savings Accounts and On-Site Medical Clinics

August 23, 2012

Prepared by: Jeffrey D. Fox, Employee Benefit Consultant H.J. Spier Co., Inc.
Key Factors

- Hendricks County is similar to many governmental entities—lower pay with more liberal benefit package

- Hendricks County’s medical plan is self-funded

- “Ownership” or closely tied with Hendricks Regional Hospital (HRH)
Why an On-Site Clinic?

- Reduce Plan Costs
  - Pay staffing costs as utilized
  - Lower Brand Rx usage
  - Wholesale pricing on supplies, labs, and generic Rx's

- Provides a different model for accessing healthcare
  - Encourages patient to physician interaction
  - Introduces “consumerism” to physician
  - Services are provided free of charge to patients
  - Little or no waiting time for appointment
  - 20 minutes or more for eye to eye visit with Physician
  - Web-based scheduling

- A Win-Win for the county and it's employees
Implementation of Clinic

- Considered several Clinic Types
  - Provider based (HRH, IU Health (Workplace Health Services), Community Health Network (Infinity))
  - Privately Managed (Novia, WeCare, Activate, OurHealth, etc., etc., etc.)
  - Proforma of savings potential provided
  - Considered:
    - Management fees
    - Staffing models – Physician renting vs. employed
    - Hours of operation
    - Provider based (referral issue) versus Privately Owned (availability of staff)
    - General knowledge of experience and reputation in market

- Chose HRH due to favorable reputation, our relationship and the resulting cost avoidances...and they have performed very well.

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Results of Clinic

- Very well received by employees, especially as cost shifting in Plan has occurred

- Costs:
  - Chronic medical visits have increased over the two years
  - Primary Care Provider (PCP), Specialist, ER and Urgent Care use has decreased in Plan
  - 20% reduction in brand use (retail & mail order)
    - $21.53 - avg. cost of generic
    - $159.01 - avg. cost of brand
  - Net cost to provide clinic approximately $45,000 per year (cost minus savings)
  - Including clinic costs, our Plan has trended to save $900,000 avg. for each of our last two years

- Use of clinic by employees who have not accessed healthcare for years

- Heightened management of chronic conditions

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Health Savings Accounts

NOTE: on-site clinics present a possible conflict with HSA’s by providing 100% coverage prior to satisfaction of the deductible.

- High Deductible Health Plan (HDHP) combined with a TAX FREE (HSA) bank account

**Hendricks County’s Deductible:**
Single - $2,500
Family - $5,000
Plan pays 100% after deductible

**Maximum Annual Contribution:** (for 2013)
Single - $3,250 ($750)
Family - $6,450 ($1,500)

$1000 catch up contribution allowed for employees over age 55

Employee owns $ in HSA Account

$ in account carry over from year to year

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Why an HSA?

- **Employer Perspective:**
  - $30 Million General Fund...$6 Million from Benefits
  - The HDHP plan design promotes consumerism
    - Especially the elimination of the Rx Copay

- **Employee Perspective:**
  - Tax FREE status of bank account
  - Encourages saving for future medical expenses
  - Employees 'learn to like' HSA plans
    - Consumerism isn't a new concept to employees, just unusual in the healthcare setting
  - HDHP/HSA plan provides a true annual Maximum Out of Pocket limit

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How to Insure Successful Implementation of HSA Plan

- EDUCATE!!!!!!
  - Months ahead of the actual enrollment (& following effective date)
  - Educate the spouses
  - Show de-identified sample claims under both options
  - Make certain the facilitator intimately understands the concept

- Design
  - Offer as an Option, along with the (previous) traditional plan
  - Develop sufficient spread of employee premiums between options
  - Introduce the concept with a modest deductible (beginner plan)
  - Consider employer HSA contributions
    - additional, bonus contributions in rollout year?
    - deposit in lump sum at beginning of year?
  - Offer Consumerism assistance
    - Canadian pharmacy option
    - Communication to employees of savings opportunities (alerts)
    - Web-based access to provider comparisons (price, frequency & outcomes information)

- Banking
  - Local Banking is a viable option
  - Does the bank offer on-going assistance to employees? Call center for Q&A's; On-line Access; Single card for HSA, FSA, FSA Limited Purpose, HRA options?
  - Access to Mutual Funds?
  - Account Fees?

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Into the future with HSA's

- Deductibles will increase
  - Unless PPACA applies maximum deductible to all plans
  - Employee's will be encouraged to view HSA's as a savings vehicle

- Out of pocket maximums will increase
  - Especially if PPACA's limit on Deductibles applies to all plans

- Employers will eliminate traditional plans

- Consumerism assistance will increase
  - Medical Tourism

- Banking
  - Employees will want sufficient sophistication
  - Employees will want access to higher earnings as funds grow

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