November 19, 2018

6 Best Practices to Consider When Introducing a Qualified High Deductible Health Plan

By Blake Babcock

Organizations interested in designing a qualified high deductible health plan (QHDHP) have many variables to consider. Begin by developing a strategy that aligns with your company's goals using these six best practices to guide your efforts.

Background

One of the most common types of health plans that are offered by employers today are QHDHPs. These plans have only been around since 2003 and continue to grow in popularity (66% of Midwest companies with over 500 employees offer an HSA-eligible HDHP[1]).

QHDHPs have minimum thresholds as set by the IRS to keep them qualified and eligible for Health Savings Account (HSA) contributions. The 2019 minimum deductibles and maximum out of pocket limits as set by the IRS are as follows:

- Deductibles (Single/Family): $1,350/$2,700
- Maximum Out of Pocket (Single/Family): $6,750/$13,500

One of the biggest advantages provided to those enrolled in a QHDHP, is the ability to fund money for qualified health expenses into the HSA. HSAs are able to be funded with contributions made by both the employee and employer.

Advantages for those enrolled in a QHDHP (known as the "Triple Tax Advantage") with an HSA are:

1. Contributions into these accounts are pre-tax
2. The interest earned on the account grows tax-free.

Withdrawals from the HSA, for qualified health expenses, are tax free.

[1] 2017 Mercer National Survey of Employer-Sponsored Health Plans

Best Practices

Unfortunately some employers offer this type of plan only with the intent on cost savings. If your intent is to make this a viable and meaningful alternative for your employees, to promote accountability and to encourage healthcare consumerism, then consider the following best practices in designing your plan:

- **Employer HSA contribution:** Helping to fund the HSA accounts and bridge the gap of a higher deductible will demonstrate to your employees that you value this plan offering. When making a contribution, consider offsetting 30-40% of the deductible so that the contribution is also meaningful.

- **Consider a 3-year commitment to the HSA contribution**: A three-year commitment for an employer contribution helps give peace of mind to employees that this is not just a one-time incentive and demonstrates this plan is valued by their employer and is viewed as a long-term strategy.

- **Prescription coinsurance or copays after deductible (to promote continued consumerism)**: Offering drug benefits tied to coinsurance or copays after the deductible is met will continue to promote the consumerism aspect of these plans. Members may be more inclined to continue to look for lower-cost alternatives such as generics.

- **Evaluate cost and transparency tools**: Employees will need information to allow them to be consumers of health care. Employers should research the cost transparency tools their vendor offers. This helps employees enrolled in the plan make informed decisions on where to go for their care. Depending on your vendor's capabilities, consider evaluating a carve-out solution for cost and transparency.

- **Communication/Communication/Communication**: Remember that not everyone is a health care expert. If employers want a successful QHDHP adoption, a strong communication strategy is needed. Ideally this involves multiple steps starting with an overview of what a QHDHP plan is followed by plan selection support.

- **Does this align with current benefits strategy and offerings?** Consider the plans in place today and what the net impact to the employer would be (gross funding rate, less employee premium contributions, plus any employer HSA contribution = Net Funding by the Employer). When setting up the plan, factor in the company's cost impact to determine how much employees may contribute to the premium (cost of the plan) or how much employers should fund into an HSA.

In Perspective

Whatever your reason for offering a QHDHP, cost savings, offering employees more choice, or attracting and retaining employees, a formal strategy is essential to ensure alignment with your company's goals.

Questions? For additional information about developing or enhancing your strategic plan, contact the Findley consultant you normally work with, or Blake Babcock at *Blake.Babcock@findley.com* or 216.875.1904.