

Supplemental Insurance Policies Can Help Increase Consumer-Driven Health Plan Participation

Let's agree that the future looks very bright for consumer-driven health plans. After all, the growth figures say it loud and clear. As of January 2011, approximately 11 million people were covered by health savings accounts (HSAs) and/or high deductible health plan (HDHP) products – a number that has steadily increased by more than 10 million over the last five years.¹

Health care reform may continue to fuel growth in this sector for many years to come. Yet, there is a proverbial elephant in the room. Several factors are threatening to deter the growth of HSAs/HDHPs, stemming from both employers and the workers employed by them. The perception (or perhaps reality) is that HSAs/HDHPs are best suited to the young, healthy or wealthy who don't incur a large sum of health care-related expenses, or who can afford a high deductible and have funds for a rainy day.

In the worksite market, HSAs are not always applicable or suitable (for example, in blue-

collar or even gray-collar segments). Employers have a difficult time introducing HSAs/HDHPs to workers who likely are unaware of such plans or simply don't understand the benefits. All of these factors lead to reluctance when it comes to enrolling in these plans.

There is a solution that can remove these barriers. Having supplemental insurance policies alongside an HSA/HDHP not only helps bridge the gap in out-of-pocket expenses, but may also help ease workers' anxieties about enrolling in these programs.

EFFECTIVELY ADDRESSING OUT-OF-POCKET COSTS ASSOCIATED WITH HDHPs

The average annual deductible with HSA/HDHP policies for a family is \$6,366, and the average out-of-pocket limit is \$7,001.² Plus, HSAs are only as successful as the participant's willingness and commitment to contribute adequately to the fund. Many families are left with financially devastating out-of-pocket costs in the event of a serious illness or accident.

In fact, 62 percent of all bankruptcies in 2007 were caused by medical expenses. This

number was up nearly 14 percent over a similar study conducted just four years earlier. More surprising is the finding that 75 percent of those who declared medical bankruptcy reported having major medical insurance.³

Supplemental insurance policies often include long-term critical illness (CI) or events, such as cancer, accident and disability coverage, and pay cash benefits to help with unexpected expenses and other out-of-pocket medical expenses.

For example, with some critical illness insurance policies and/or accident policies, a lump-sum benefit may be paid upon diagnosis of cancer, heart attack, stroke, etc. This can provide policyholders the cash benefits they need to help with expenses, treatments and daily living costs before the HDHP benefits begin. Accident coverage also provides first dollar benefits to policyholders for medical expenses relating to accidents.

The reality is that many consumers question their ability to financially prepare for, or withstand, a serious illness or accident with HSA/HDHP coverage alone.

Couple this concern with the possibility that employees do not understand or are not comfortable with how HDHPs, HSAs and HRAs work, and the likelihood is that fewer employees may be willing to opt for these types of coverage.

ENHANCING ENROLLMENT THROUGH EDUCATION AND PEACE OF MIND

Business owners who want to implement a high deductible health plan should consider initially making supplemental plans available alongside it to help those in need of funds deal with a sudden high-deductible claim. This will not only help ease potential anxieties or fears of employees, but will also give the company time to educate its employees about how HSAs require them to budget and save for unforeseen health expenses.

agree that workers need to be more engaged in their benefits decisions, and only half of employers feel their employees take full advantage of the benefits they offer.

Without clear and steady education about HSAs/HDHPs and without offering options to help limit employee gaps in coverage to help safeguard employees' finances, employers may be challenged by a workforce more reluctant than enthusiastic about enrollment.

Ongoing, concise and clear communication is the foundation to benefits education, and ultimately helps workers make more informed decisions about their health care coverage. A recent Aflac study "2011 Aflac WorkForces Report,"⁴ uncovered to what degree workers are "checked out" when it comes to making benefits decisions. A mere 8 percent of workers strongly agree they are fully engaged in making benefits decisions, a sentiment shared by their employers. Sixty-three percent of companies

Given the fact that many supplemental insurance policies have no direct cost to employers, this is a win-win solution. Companies can continue to better manage their insurance costs, and employees have access to well-rounded insurance coverage and have the opportunity to effectively manage their own health care expenses.

¹Annual Census, America's Health Insurance Plans (AHIP), January 2011.

²2010 AHIP HSA/HDHP Census.

³Harvard research study conducted by Drs. David Himmelstein and Steffie Woolhandler of Harvard Medical School, Elizabeth Warren of Harvard Law School, and Deborah Thorne, a sociology professor at Ohio University, June 2009.

⁴"2011 Aflac WorkForces Report," a study conducted by Harris Interactive for Aflac, September 2010, February 2011.