

Basics of Consumer-Driven Health Plans



Introduction




Building Blocks of CDHPs




HSA, HRA, and Health FSA Chart Review



Olivia Ash, JD, MS
Benefits Compliance Counsel
Indiana-licensed Attorney & Teacher



This presentation does not constitute legal advice.
Please consult legal counsel for specific guidance
on benefit Plan actions based upon facts &
circumstances of the inquiry.



Why Consumer-Driven Health?

The consumer-directed health care strategy is predicated on the notion that health care services are overutilized, and that giving financial incentives to patients will reduce use of services of marginal or no value. It also will give patients an incentive to seek out lower-cost providers of care. While there is certainly evidence of overutilization of some services, underutilization appears to be a far greater problem (McGlynn et al. 2003).

- **Cost containment**
- **Choice & Accountability**
 - **Tax benefits**

What is a CDH Plan?

A health insurance plan with high deductibles combined with a tax-advantaged personal health spending account to increase consumer accountability for spending.

Types of CDHPs

- Health Savings Account (HSA)
- Health Reimbursement Arrangement (HRA)
- Flexible Spending Account (FSA)
- Medical Savings Account (MSA)

Types of CDHPs

- **High Deductible Health Plan (HDHP)***
 - Health Plan with a high annual deductible (\$1,600) & out-of-pocket (OOP) max. (\$8,050) AKA: catastrophic coverage to guard against major medical costs. Lower premiums than “traditional” plans, may pair with HSA or MSA.
- **Health Savings Account (HSA)**
 - Employer(ER) & Employee (EE) funded pre-tax personal saving account up to max. (\$4,150). Use for healthcare expenses including copayments & deductibles, but not premiums. Funds earn non-taxable interest & roll over year-to-year. May use \$ for retirement income. Must be enrolled in “qualified” HDHP

Types of CDHPs

➤ Health Reimbursement Arrangement (HRA)

- ER-only tax-free funded arrangement with a cap on amount EE may receive in a year. Monies uses to reimburse eligible medical expenses. Not as flexible as HSAs; \$ cannot be invested but will roll over. Do not need to be enrolled in HDHP or another Plan. (EBHRA 2024 limit | \$2,100)

➤ Flexible Spending Account (FSA)

- Tax-free funds for qualified OOP medical expenses like Rx drugs & products. ER & EE may fund the account. Do not need to be enrolled in HDHP or another Plan. EEs must “use \$ or lose it” as ERs decide what happens to remaining funds at end of year. (2023 contribution limit is \$3,050)

Types of HRAs

Know they exist; special rules apply

- **Group Coverage “Integrated” HRA**
 - Must be offered in conjunction with health Plan – reimburse for deductibles, co-insurance, other approved expenses. Roll over permitted.
- **Qualified Small Employer HRA**
 - Started 1/2017, Small employers (<50) who don’t offer health Plan. May use to reimbursement costs for self or covered dependents (if ER permits). EE enrolled in MEC.

Source: CMS: <https://www.cms.gov/files/document/overview-new-health-reimbursement-arrangements-part-one-slides.pdf>

Types of HRAs

Know they exist; special rules apply

➤ Individual Coverage HRA

- Started 1/2020, permits reimbursement for premiums and cost sharing for individual health coverage and Medicare. Must be offered on same terms to all individuals within a class. Can't combine with traditional Plan. Satisfies ACA employer mandate.

➤ Excepted Benefits HRA

- Started 1/2020, reimbursement additional medical care expenses even if EE declines enrollment in health Plan. Can't be *integral* part of Plan. ER must offer some other health Plan option in addition to EBHRA. Can't use \$ to reimburse premiums for group, individual, or Medicare premiums. May use it for COBRA, short-term or excepted benefits (dental/vision).(2024 limit \$2,100)

Source: CMS: <https://www.cms.gov/files/document/overview-new-health-reimbursement-arrangements-part-one-slides.pdf>

Types of HRAs

Know they exist; special rules apply

- **Retiree HRA**
 - Designed to assist with plan-eligible expenses, including COBRA premiums, Medicare, Advantage, and Supplement Plans
- **Dental/Vision HRA**
 - Specifically designed for ERs who want to reimbursement for dental/vision expenses. Roll over permitted. Also called “Limited-purpose HRA”

Source: CMS: <https://www.cms.gov/files/document/overview-new-health-reimbursement-arrangements-part-one-slides.pdf>

HEALTH AND WELFARE PLAN LIMITS (IRS Rev. Proc. 2023 – 23)	2023	Δ	2024
<i>HDHP – Maximum annual out-of-pocket limit (excluding premiums)</i>			
Self-only coverage	\$7,500	↑	\$8,050
Family coverage	\$15,000	↑	\$16,100
<i>HDHP – Minimum annual deductible</i>			
Self-only coverage	\$1,500	↑	\$1,600
Family coverage	\$3,000	↑	\$3,200
<i>HSA – Annual contribution limit</i>			
Self-only coverage	\$3,850	↑	\$4,150
Family coverage	\$7,750	↑	\$8,300
Catch-up contributions (ages 55 and older)	\$1,000	=	\$1,000
<i>Excepted Benefit HRA</i>			
Annual contribution limit	\$1,950	↑	\$2,100

HSA, HRA, & FSA

Comparison Chart



Thank you!

*Please contact the
compliance team at
compliance@patriotgis.com*