

Glossary of Consumer Driven Healthcare (CDH)

Consumer-driven healthcare (CDH):

Consumer-driven healthcare is characterized by accounts which participants use to fund everyday medical expenses not covered by their health care plan. With direct access to dollars to manage and spend on healthcare, employees learn to shop around and spend their money in a cost-conscious manner. These accounts are coupled with high deductible health plans that provide coverage for more serious medical problems. Consumer-driven healthcare also includes the use of online and other information resources, such as calculators and modeling tools, so participants can get the information they need to make health care decisions.

Catch-up contribution:

HSA participants age 55 or older are permitted make additional, “catch-up” contributions to their HSAs. Contributions can be made each year until participants become enrolled in Medicare. These contributions are in addition to the general contribution limits. Annual catch up limits are:

2005 - \$600
2006 - \$700
2007 - \$800
2008 - \$900
2009 and later - \$1,000

Contribution limit:

HSA accounts are subject to an annual contribution limit, based on whether there is individual or family coverage. Contribution limits are (for 2007) \$2,850 for employee coverage, and \$5,650 for family coverage; contributions are no longer limited by the plan deductible, if it is less.

Limits include employee and employer contributions; in the aggregate, the two combined cannot exceed the annual limits described above.

Debit card:

Many HRAs and HSAs provide participants with a debit card to access the account funds when paying for services. When a participant receives a health care service and presents the card, the card debits the payment from the account. Participants can usually review these card payments online or on paper to keep track of their expenses.

Employee coverage:

Coverage that protects the employee only.

Employee contribution:

This is the amount an employee contributes toward an HSA. (Employees are not permitted to contribute to an HRA).

Employer contribution:

The amount an employer contributes toward an employee's HSA or HRA.

Family coverage:

Health coverage that covers the employee and other family members.

First dollar coverage:

This is insurance coverage that pays the entire covered amount without requiring a deductible to be satisfied first. The high deductible health plans used as part of consumer-driven healthcare generally do not offer first dollar coverage, although some plans may provide it for preventive care services.

Health Reimbursement Arrangement (HRA):

An HRA is a fund that an employer sets up for its employees, which is used to reimburse employees for eligible health care expenses not covered by the employer's health plan. HRAs may be designed to cover any or all of the following expenses: coinsurance, copayments, deductibles, dental and vision charges, and premiums for health and long term care insurance coverage. Funds may also be rolled over from one year to the next, depending on plan design.

Health Savings Account (HSA):

An HSA is a personal account that an individual can establish to reimburse the individual for eligible health care expenses not covered by his or her health plan. Those expenses that can be reimbursed are those considered "qualified" by the IRS and include: coinsurance, copayments, deductibles, dental and vision charges. An individual must be enrolled in a high deductible health plan in order to establish an HSA. Once the individual's expenses meet the plan deductible, the remaining eligible expenses are covered by the high deductible health plan according to its rules. Employees and employers may contribute to the HSA. Funds that are not spent in any year can roll over to subsequent years and allow the participant to save for future expenses.

High deductible health plan (HDHP):

A plan with a large deductible, typically at least \$1,000. They are designed to treat extraordinary medical expenses and not everyday expenses. An individual must be enrolled in a high deductible health plan in order to establish an HSA, with specific limits: for 2007, the minimum deductible must be at least \$1,100 for employee coverage and \$2,200 for family coverage.

Investment option:

A financial vehicle that is used to invest the funds of a participant. Health Savings Accounts (HSAs) typically allow the individual to invest the account funds in various options; typically, some type of cash or savings account, bonds, stocks or mutual funds.

Other coverage:

To establish an HSA, participants cannot have "other coverage" such as being covered under a spouse's plan, or other individual coverage. The only coverage they can have is under a qualifying high deductible health plan (HDHP). However, a participant can be covered under dental, vision or long term care coverage, or coverage that pays a fixed dollar amount for a disease or for a period of hospitalization, and still establish an HSA; these items are not considered "other coverage."

Out-of-pocket maximum:

A participant's out-of-pocket costs under a health insurance plan refer to those costs for which an employee is not reimbursed through the insurance. Generally, this includes the deductible, copayments, coinsurance amounts and costs that exceed the plan's reasonable and customary charges. Health insurance plans have a cap, referred to as the out-of-pocket maximum, that limits the amount of out-of-pocket expenses that a participant has to pay each year. If an employee has a high deductible health plan along with an HSA, the out-of-pocket maximums for that plan for 2007 are limited to: \$5,500 for employee coverage and \$11,000 for family coverage.

Preventive care:

Coverage care that is intended to prevent the onset of a condition rather than treat an existing condition. If a high deductible health plan is used with an HSA and covers preventive care, the IRS permits the plan to cover preventive care services before the participant meets the deductible.

Single coverage:

Health coverage that covers the employee only; also called "employee coverage."

Wellness:

Wellness includes the idea of being healthy—that is, without illness—and combines it with the emotional and social aspects of health, to emphasize an overall sense of well-being and holistic health. Consumer driven health plans emphasize wellness to make employees focus on keeping themselves well and thus avoid medical procedures.

B

