McGraw Wentworth

The ViewsLetter

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Charge It - More and More Patients Buy Health Care On Credit

More and more employers are launching consumer driven health plans. In many cases, these plans require employees to pay a greater share of the cost. The patient must typically meet a very high deductible before the plan starts paying for health care services. This added financial burden can cause real hardship; few employees can afford to pay $1,500 and even more, out of their pockets before their health plan pays a portion of the expense.

According to a recent ABC News poll, 25% of Americans have had difficulty paying a medical expense in the last year. Of those reporting difficulty paying for a health care expense, seven out of ten had health insurance.

The ABC poll found the cost of care is indeed affecting care decisions:

- About 28% of survey respondents indicated they or a family member have put off medical treatment because of the cost. Of those that delayed treatment, seven out of ten indicated they needed the treatment for a serious medical condition.
- Even those with health insurance are not immune. Sixty percent are worried about being able to afford health insurance over the next few years.
- Eighty percent of Americans say they are dissatisfied with the cost of care in this country. Far more are concerned about the cost rather than the quality of care they receive.

Health care cost is a major concern for most Americans. Organizations that offer their employees health insurance struggle to manage plan cost and to determine how much expense they can shift to employees. Organizations that have launched high deductible health plans will confirm one of the big-

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About the ViewsLetter

We welcome you to the fourth quarterly issue in Volume Nine of the McGraw Wentworth ViewsLetter. It is our mission to be the leader in the employee group benefits brokerage and consulting industry to mid-sized organizations.

We have established the ViewsLetter as an integral part of our commitment to keep you informed of benefit trends, legislative and marketplace developments that may affect your group benefit programs.

We welcome your comments and suggestions regarding the ViewsLetter. You can pass your comments directly to your McGraw Wentworth Account Director or Account Manager, or you can reach us at www.mcgrawwentworth.com.

Charge It - More and More Patients Buy Health Care on Credit, cont.

gest difficulties is when their employees have a serious health condition and do not have the funds to cover the deductible. To help subscribers pay out-of-pocket costs, insurance carriers are beginning to consider credit cards. A 2005 survey done by the Center for Responsible Lending indicates that 70% of lower and middle income households have used credit cards to pay for health care.

Large health plans, such as WellPoint, Inc. and UnitedHealth Group, have been testing health expense credit cards made available through employers. The cards are offered to employees that have chosen a high deductible health plan option. The credit card basically works as follows:

- Employees receive services from a medical provider.
- The provider bills the carrier for services. The carrier processes claims and pays the full amount the contract requires.
- Insurance carriers then send employees an Explanation of Benefits letter describing how claims were processed and bills the subscriber for their share of the cost.
- Patients can pay off the bill or charge it to the health plan credit card. The credit card interest rate is usually close to the prime rate (which is significantly lower than most commercial credit cards).
- The patient can pay off the credit charges over time through payroll deduction. In the UnitedHealth Group test group, the payroll deduction is limited to $50 for each pay period to avoid causing financial hardship. However, it is important to understand, the longer it takes to pay off the outstanding debt, the more interest the patient pays.

In the test markets, employees are given the option to sign up for the health care credit card. If the employer is not comfortable collecting payments through payroll deduction, the credit card company will bill the patient directly.

Insurance carriers see the health care credit card as a way to help subscribers with medical expenses they cannot pay immediately out-of-pocket. Also, the credit cards allow insurance carriers to pay providers promptly. This prompt payment typically results in the best discount for services, which benefits both carriers and subscribers. The cards do charge interest, but it is typically less than the interest on a commercial credit card.

Patients using the credit card pay their responsibility in full and in timely manner. However, there are concerns about using the credit card. If the expense is paid in full, the patient loses the option of setting up an acceptable payment schedule with the provider or even negotiating a lower fee for the service. In addition, if the patient chooses to challenge any of the charges, the patient loses negotiating power once the charge is paid in full. Another concern is that for employees living paycheck to paycheck, another debt might not be manageable, even if it is just $50 a paycheck.

The idea of offering credit cards tied to the health plan is still in its infancy. Many employers can see merit in the arrangement because it will help employees pay for medical expenses; however, employers are struggling with the interest charges and many do not want to collect payments through their payroll system.

Twenty years ago, it would have been uncommon for anyone to need to

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DID YOU KNOW?

Employee benefits account for approximately 30% of compensation cost in private industry:

- Average employee compensation is $25.16 an hour.
- Of this rate, 70% constitutes wages and salary ($17.77 an hour) and 30% constitutes benefit cost ($7.39 an hour).
- Life, health and disability insurance average $1.86 an hour.
- Social Security, Medicare, unemployment and workers' compensation average $2.16 an hour.
- Paid leave benefits average $1.71 an hour.
- Supplemental pay averages $0.73 an hour.
- Retirement and savings average $0.91 an hour.

Source: Bureau of Labor Statistics, June 2006

"You've Got Mail" - Telemedicine, a Wave of the Future

charge medical expenses. However, the buying and saving habits of our society are certainly changing. Because employers have paid a large portion of medical expenses in the past, employees are not accustomed to building potentially significant medical expenses into their budgets. This can result in employees being unable to afford certain medical expenses as employers shift more cost to employees. Although a health care only credit card may help employees, many employers are not certain they should be offering credit as the solution. A better answer may be to teach employees how to manage their money and budget appropriately for potential medical expenses. MW

"You've Got Mail" – Telemedicine, a Wave of the Future

Many people think telemedicine means receiving health care advice by e-mail. However, this consultation is just one aspect of telemedicine. Telemedicine is much more than just a patient and a provider communicating online. It may have enormous impact on health care delivery in this country in the next ten to twenty years.

E-mail health care consultations are just now beginning to become more acceptable. Physicians have been reluctant to correspond with patients electronically because they are more comfortable in the office. Some physicians see electronic communications as a threat to their income. If a physician needs to check on a patient, the patient schedules an office visit and is charged accordingly. In an electronic follow-up, there is no office visit.

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YOUR QUESTIONS

Q. Our organization has seven locations throughout the country. In each location, employees may choose either a national PPO or a local HMO plan. Recently, an employee covered under the HMO plan resigned to move to another state. Are we required to offer this employee COBRA? The HMO will cover out-of-state medical care only in emergencies.

A. An employer must offer COBRA coverage when two requirements are met:

- A covered employee or dependent experiences a qualifying event.
- A covered employee or dependent loses coverage under the plan.

When reviewing COBRA questions, it often helps to see if these two events have occurred. In your situation, the employee did experience a qualifying event. The employee terminated employment which is a COBRA qualifying event. The second requirement is also met. The employee will lose coverage under your plan because of the termination of employment. Since the two necessary requirements are met, your organization is required to offer the employee in this situation COBRA coverage.

While your question did not ask this directly, the coverage you should offer should be investigated as well. You indicate that offering the employee coverage under the HMO will result in very restrictive coverage under that plan. Since your organization offers a couple of different coverage options and the employee has moved out of the service area for one option, you should offer the option to elect coverage under the HMO plan or the PPO plan. The IRS refers to this as offering alternative coverage options and it is required when an individual moves out of the service area of a network specific plan and the employer offers another plan that will provide coverage in that area.

Make sure your qualifying event notice discusses why the plan is extending coverage under the PPO plan. The qualified beneficiary will need this information to make an informed decision relating to COBRA coverage.

If your PPO plan is fully insured, you may need to educate your vendor on their need to cover this former employee under the PPO plan. The carrier will likely ask questions when you add the individual to your PPO plan and indicate COBRA is elected. While the carrier may question covering this individual, the carrier is also compelled to help you meet your COBRA obligation. Once the situation is explained, your carrier should not have any additional issues.

"You've Got Mail" - Telemedicine, a Wave of the Future, cont.

As more and more activities are handled electronically, health care providers have felt pressure to provide online care. In many cases, electronic communication is more efficient for both the physician and the patient. There are many advantages to handling routine follow up visits on line:

- Physicians can work on e-medical consultations with more flexibility. If a patient cancels an appointment, the physician can use the time productively to work on electronic consultations.
- Patients could save travel time and eliminate office waits for certain types of services. In addition, the patient would not be exposed to potential illness in the waiting room.

Physicians offering e-consultations and electronic follow-up are charging patients for their time. Many insurance carriers will reimburse physicians for e-visits with patients. The fee for electronic consultations is less than the fee for office visits.

Electronic consultations are not possible for every medical issue. However, to provide routine test results and follow up from office visits, electronic communication is certainly more efficient and less expensive.

Telemedicine is branching out in other exciting ways as well. Pilot programs to help people manage their health are in the works. For example, people with high blood pressure can effectively lower their blood pressure through diet, exercise and in some cases with medication. From a health standpoint, lowering blood pressure decreases health care costs and improves quality of life. Soon employers and health plans may offer health management programs that focus on blood pressure control. Patients will receive an inexpensive blood pressure monitoring device to attach to their home computers. The program would track each patient's blood pressure and track activities such as diet and exercise. The information can then be used to coach individuals on how to manage their blood pressure properly.

The pilot programs are not limited to monitoring blood pressure. Many new products on the market can be customized as well. Some employers buy employees "premium" pedometers connected directly with corporate IT systems to track daily activity. Some employers are using the pedometer results in competitions to encourage employees to be more active.

Pilot programs are being launched to help individuals with dietary choices and weight management, too. One service allows people to take pictures of their meals and get on line, personalized diet and nutrition advice based on their food choices. They receive this advice at regular intervals through a video stream.

Electronic patient monitoring may prove very beneficial for elderly patients with chronic conditions. Patient monitoring systems may make home care for elderly patients more effective and less expensive. Visiting nurses may routinely monitor their patients electronically, thus allowing the elderly to avoid the problems of office visits. Many elderly people do not have strong immune systems. For these people, avoiding contact with the sick in a waiting room may be better for their overall health.

Technology in health care is going to a whole a new level. New, remote treatment options should become more prevalent in the next decade and they may make our current health care system much more efficient. Health plans will need to evaluate coverage for new treatment options. Hopefully, health plans will see the value and efficiency of electronic treatment and encourage these new options. MW

TREND TIDBITS

For 2007:

- $ PPO plans are projected to increase 11.7% with prescription coverage and 11.6% without prescription coverage.
- $ Interestingly, high deductible PPO plans are projected to increase 12.0% with or without prescription drug coverage.
- $ HMO plans are projected to increase 11.3% with prescription coverage and 11.1% without prescription coverage.
- $ Prescription drug trends are significantly lower than five years ago with the expected retail trend at 11.9% and 11.5% the expected trend for mail order.

Source: The Segal Company, August 2006

Technical Corner

Technology is a part of many of our workday activities. It is hard to imagine life without e-mail, cell phones, Blackberries, and so on. Technological advances help us reduce paperwork and allow us to work effectively from many remote locations. For these reasons, many organizations are moving to electronic record keeping systems. With all the electronic tools available today, certainly paper use can be reduced.

Although some Human Resources departments still rely on paper employment and ERISA plan records, many now maintain and store their ERISA plan records electronically. Electronic records definitely save time and space.

Organizations must maintain a myriad of benefit plan records. Most records can be maintained electronically. The Global and National Commerce Act (E-sign) provides standards for using electronic records in numerous transactions, including employer functions. Both the Department of Labor and the Internal Revenue Service allow electronic record keeping. The DOL and IRS have slightly different requirements for electronic record keeping. Below are examples of these requirements:

- The record keeping system must have reasonable control over the integrity, accuracy, authenticity and reliability of the electronic record. The record must be maintained in reasonable order and must be safe and accessible. Your organization must be able to retrieve the record if necessary. Protections must be in place to prevent the document from being altered.
- The organization must update and maintain the system. A good data management system should outline the structures and methods for maintaining the data. The organization must also have a backup system to maintain records during an external or internal data management system catastrophe.
- Once paper records are transferred to an electronic version, you may wish to destroy the original paper copies. Before you destroy the originals, check with your accounting and legal departments. Different types of documents have different requirements and your organization will want to retain some documents in their original format. When you destroy sensitive documents, the best practice is to shred them and take security precautions to make sure they are thoroughly destroyed.

Converting from paper record keeping to an electronic format will take time. First, you need to know which paper documents you need to retain as well as the steps you need to take to meet the requirements for each document. Then you need to create a policy on electronic record keeping. This policy should encompass the various requirements for maintaining documents electronically, your organization's backup and security measures, and also the structure of the electronic files. The structure should ensure records remain accessible in the future.

Setting up the proper procedures for keeping electronic records may be time-consuming initially, but in the long run electronic record-keeping may be a very efficient method to store documents. Make sure your organization keeps all records for the required time limits. MW

Notable Thoughts

The really frightening thing about middle age is the knowledge that you'll grow out of it.

Doris Day

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