



Consumer Driven Health Care (CDHC)

*An Alternative Individual
Health Insurance Solution*



This presentation will allow us to walk through the concept of Consumer Driven Health Care—which will enable you to be in control your health insurance costs.

This presentation is only a peripheral view of the CDHC concept.

If you like this concept, I can provide you with quotes that will demonstrate its true impact.

Please note: This presentation is based upon the most recent tax legislation on Health Savings Accounts and Qualified High Deductible Health Plans.

As your W&R advisor, I can:

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- Provide cost-effective health insurance options
- Suggest alternative approaches to your changing needs
- Develop long-term, strategic solutions
- Package health insurance with financial incentives
- Serve as the “single source” for *all* your benefit needs



Before we get into the CDHC concept, let's briefly review what I can do for you:

- I can provide cost-effective health insurance options
- Today's health insurance environment is ever-changing and I can suggest alternative approaches to your changing needs
- I can work with you in developing long-term, strategic solutions regarding your health insurance needs
- I can package health insurance with financial incentives
- I can be your single source for Health, Life, Long-Term Care and Disability benefit needs

- CDHC is a strategy for delivering health insurance
 - Typically includes lower premiums
 - Places consumers in charge of first-dollar healthcare expenditures
- A CDHC plan consists of two parts:
 - High-Deductible Health Plan (HDHP) and ...
 - Health Savings Account (HSA)



Now, let's take a look at what Consumer Driven Health Care really is:

- CDHC is a strategy to lower monthly health insurance premiums
- It changes the way health benefits are provided—particularly first-dollar benefits. With this strategy, consumers will now have to pay for first-dollar healthcare expenditures. For example, co-pays are first-dollar benefits—which are typically excluded from these types of plans.
- There are two parts to a CDHC plan
 - The High-Deductible Health Plan (HDHP)
 - The Health Savings Account (HSA)

We will walk through these CDHC components and how they work shortly.

Why the shift towards CDHC?

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- The continued rising cost of healthcare
- Consumers need to have a stake in the healthcare transaction in order to be wise healthcare consumers
 - Most consumers have no idea how much healthcare goods and services really cost—just their copayments!



First, let's take a look at why consumers are shifting towards Consumer Driven Health Care and how this concept is dramatically impacting the overall market:

- The cost of healthcare continues to rise—from hospital stays to prescription drugs
- Consumers need to have a stake in the healthcare transaction in order to be wise healthcare consumers. Consumers need to start asking more questions and be more involved in their healthcare decisions.
- Because we're not really sure about of these healthcare costs, we're not engaged in the process. So, we have no real economic Incentive. Instead we simply say, "here's my copayment."

How Can CDHC Concepts Help?

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- Reduce the impact of rising insurance costs
- Remove co-payments
- Educate consumers on “smarter” use of medical services
- Encourage preventive / wellness care usage



How can this concept help?

- Rate increases will probably not go up at the current level—because CDHC promotes consumer ownership
- By removing co-payments from PPO plans, the premium can be reduced as much as 50%. The majority of our usage as consumers are in office visit and prescription drug co-payments
- In the CDHP concept, the money the consumer does not spend, they get to keep
- Most HDHPs have preventive or wellness care coverage at 100% to encourage good health—consumers can still get routine care covered which “prevents” long-term utilization

Why are CDHC Solutions Successful?

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- HSAs make financial sense
 - Multiple options for checking, saving and investing
 - HSAs offer savings incentives and automatic tax advantages*

** HSAs were created by Public Law 108-173, the "Medicare Prescription Drug, Improvement and Modernization Act of 2003," signed into law by President Bush on Dec. 8, 2003*



Why are they successful?

- HSAs make financial sense
 - Most HSA custodians provide checkbooks and debit cards to manage funds, and some allow for investing these funds
 - They allow consumers to save for current and future healthcare
 - They can get a tax deduction for money deposited into the HSA
 - The official rules for HSAs can be found at the U.S. Treasury web site (www.treas.gov)

Breaking Down the CDHC



Now let's take a look at what's within the CDHC strategy and break down its two core components—the High Deductible Health Plan and the Health Savings Account

High Deductible Health Plans (HDHPs) Page 8

- PPO plan without copayments and first-dollar coverage
- Typically covers preventive services at 100%
- A fully-insured plan with multi-million dollar lifetime maximum benefit levels and much more



Let's start with the High Deductible Health Plan:

- This type of plan is a PPO-style plan without the copayments and first-dollar coverage
- It typically covers preventive services at 100%
- And, it is a fully-insured plan with a multi-million dollar lifetime maximum levels and much more

High Deductible Health Plans (HDHPs) *Page 9*

- Premiums are lower—consumers can buy plans they may not otherwise be able to afford
- A solution to the growing problem of the uninsured
- Helps raise consumer awareness of the real costs of healthcare
 - Total health spending is reduced when consumers bear more responsibility for their healthcare expenses



In addition ...

- HDHP premiums are lower so more consumers can buy plans that they can now afford.
- These plans also help raise consumer awareness. The market has seen a significant trend toward reduced health care spending when consumers bear more responsibility.
- If someone else is paying my bills, I might ask how much things cost. But if I'm paying for it, I'll definitely be more cautious how I'm spending my money!

- Represents a plan of insurance that combines the efficiencies of an HDHP with the tax advantages of a savings and investment account
- Gives account holders control over how they spend their well-earned healthcare dollars
- Represents a viable approach to long-term healthcare reform in the U.S.



The second part to the CDHC strategy is the Health Savings Account:

- HSAs represents a plan of insurance that combines the efficiencies of an HDHP with the tax advantages of a savings and investment account
- They truly allow the account holder to have control over how they spend their well-earned healthcare dollars
- HSAs are a viable approach to long-term healthcare reform in the U.S.
- For example, right now there are more than 100,000 HSAs opened each month. Experts predict this number to double within the next two years.
 - *These statistics comes from a survey published in the August 2008 issue of Inside Consumer-Directed Care.*
- **Please note:** W&R does not offer HSAs. We only offer access to the health insurance portion of the CDHC concept.
- As a W&R advisor associated with Flexible Benefit Service Corporation (Flex), we can assist our prospects and clients by referring them to Flex for help in locating an HSA provider.

Health Savings Accounts (HSAs)

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- Must be enrolled in a HDHP in order to establish an HSA—which includes annual limitations for account holders: (2009)
 - Minimum Deductible
 - \$1,150 Single
 - \$2,300 Family
 - Maximum Out-of-Pocket
 - \$5,800 Single
 - \$11,600 Family
 - Contributions
 - Maximum of \$3,000 for single and \$5,950 for family
 - Catch-up (55+) = \$1,000 (for 2009 and after)



Although W&R does not offer the HSA, its important to understand some of these guidelines in order to have an HSA:

- Must be enrolled in a HDHP
- There are annual limitations for account holders. In 2009 they are:
 - Minimum Deductible -- \$1,150 Single / \$2,300 Family
 - Maximum Out-of-Pocket -- \$5,800 Single / \$11,600 Family
 - Contributions -- Maximum of \$3,000 for single and \$5,950 for family coverage. There also is an \$1,000 catch-up contribution for those aged 55-64.

These guidelines are updated annually according to the cost-of-living-adjustments released by the IRS.

Why Have An HSA?

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- Cost ownership
 - By moving away from first-dollar benefits, the account holder becomes responsible for the “typical” out-of-pocket expenses
- Incentives
 - To save for future healthcare expenses, as we do for retirement
 - An annual tax break
 - Live a healthier lifestyle to help reduce your expenses later in life



Why should you have an HSA?

- Cost ownership
 - Better for you, as a consumer, to pay for healthcare goods and services than the insurance company. It allows you to understand the real costs of healthcare.
- Incentives
 - HSAs can become a healthcare IRA for those looking to establish future savings.
 - Under the Pension Protection Act of 2006, they can exercise a one time rollover option to help fund an HSA account.
 - Consumers get an annual tax deduction for monies deposited into the HSA (up to the allowable limits)
 - Educates consumers to live healthier.

- HDHPs can provide significant savings over current health plan premiums—*if properly selected*
- Over time, HSAs will help change consumer spending behavior
- HSAs can serve as a short- and long-term investment platform for consumers



To summarize the Consumer Driven Health Care strategy:

- You could save significantly on your annual health insurance premiums with HDHPs—as long as they are developed correctly
- HSAs help change spending behavior—which is directly linked to annual health insurance increases. The premiums should not increase at nearly the rate they have been with traditional health plans
- Consumers who do not spend their allotted HSA contributions will have something at the end of the year and for retirement, should they continue to use less than their allotted contribution amounts over a period of years.
- They keep their money in the HSA. The more money in the HSA, the lower the consumers risk of out-of-pocket expense

- Develop a long-term strategy for controlled and reduced healthcare costs
- Design and implement a CDHC plan that works best for you



So now, what are the next steps:

- We should develop a long-term strategy for controlled and reduced healthcare costs
- We can design and implement a CDHC plan that works best for you

Are you ready to get started?





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