Hybrid health plans

An approach to wellness coverage and hospital deductibles **Interviewed by Elizabeth Grace Saunders**

The cost of health care is rising. As the population ages and the expense of medical treatment increases, companies with health care plans feel the crunch. Although businesses can't stop the ascension of medical bills, executives can strategically evaluate how they get paid.

"In the last couple of years, there was an increase in cost sharing through co-pays, coinsurance and deductibles," says John Cantillo, vice president of Underwriting at VISTA Healthplans. "This cost sharing reduced the rate at which business' health care costs rose."

"Today, companies are making major shifts in cost sharing and offering plans with deductibles of $1,000 or more," Cantillo says. "With typical high-deductible plans, employees are responsible for paying the full cost of any services up to their deductible. But with hybrid health plans, employees can receive greater coverage for routine care but still have deductibles apply to infrequent, expensive medical treatment."

Smart Business talked with Cantillo about how to reap the benefits of cost sharing and still encourage employee wellness.

John Cantillo
Vice president, Underwriting
VISTA Healthplans

Why is employee cost-shifting an effective health care strategy?

Businesses can no longer pay for all of their employees' medical expenses. As a result, employers are seeking insurance providers with plans designed to have higher cost sharing. By increasing the amount that patients pay when they receive services, health insurance providers can charge the employers and employees lower monthly premiums. Also, moving an increased percentage of the cost to employees makes them more aware of the cost of their health care.

Why are high-deductible plans increasing in popularity?

Health insurance providers have flooded the market with high-deductible plans in response to companies' desire for cost sharing. In their purest form, high-deductible plans require that employees pay the total cost for any type of medical treatment until they reach a certain dollar figure. This type of plan has low premiums but high treatment costs. The concept is: pay now or pay later. Health plans with lower cost sharing require that employees pay higher monthly premiums upfront, while ones with high cost sharing expect employees to pay large bills when treatment occurs. With low cost sharing plans, the risk of high-cost employees is spread more evenly over all of the contributors to the health plan. High cost sharing plans put more of the burden on the employees incurring the expenses.

Although high-deductible plans may require that employees pay a larger amount of money out-of-pocket, this insurance coverage gives employees knowledge of the ceiling on their medical expenses. To prepare for having to pay for their set deductible, employees can tuck away money in a tax-sheltered account so that it is on hand when they need it.

What are some of the negative consequences of purely high-deductible plans?

The concept of high-deductible plans has merit and does help control health insurance bills. However, there is social value in providing more extensive coverage for routine care. For some employees, having to pay the full cost of preventive treatment would create such a high burden that they would choose not to receive it. Neglecting routine care leads to decreased employee health and wellness. Also, it can cause delayed treatment of medical conditions that could have been helped by early intervention. People who participate in routine exams have better health outcomes and ultimately lower medical bills.

How can hybrid health plans both decrease employers' costs and increase employees' wellness?

Hybrid medical plans take the best from both worlds. They include low co-pay, no deductible coverage for routine medical care. And they apply the high-deductible philosophy to infrequent, high-dollar items, such as hospital care.

This type of plan includes the traditional benefits of HMOs and allows employees to visit their physician or specialist and purchase their medications with little additional out-of-pocket expense. This structure encourages employees to care for their overall health, which improves workplace wellness.

However, employers can still receive cost savings from the high deductible applied to infrequent, high-dollar items. With this medical care, employees pay the total amount up to their deductible before the health insurance provider contributes. This leads to higher employee costs possibly once or twice a year, instead of higher premium costs every month.

This type of plan also acts as an incentive to use lower-cost medical facilities. For instance, health plans with a network of urgent care centers can have urgent care treatment fall under the low co-pay portion of the medical plan. This financial incentive encourages employees to go to urgent care centers for nonlife-threatening issues, instead of going to a hospital where they have to pay a high deductible.

JOHN CANTILLO is vice president of Underwriting for VISTA Healthplans. Reach him at john.cantillo@vistahealthplan.com or (954) 965-3420.