Six Steps to Effectively Communicating Your CDHC Plan

By Dennis Ackley

Consumer-driven health plan designs are simply high-deductible health plans with spending-type accounts. But they present unique employee communication challenges.

Most employees would not buy high-deductible insurance for their cars. Why would they want it for something far more important – their health care? And they are not fond of the poorly understood and under-used spending accounts either.

Though it's less obvious, perhaps the biggest communication challenge is that consumer-driven designs use generally familiar health coverage elements in completely unfamiliar ways.

Here are six things you can do to help successfully introduce to your employees a consumer-design that includes Health Savings Accounts (HSAs) or Health Reimbursement Arrangements (HRAs).

The radically new consumer-involved design requires a radically different approach in communicating all your medical plan options.

1. Make the expectations clear

Have you ever taken on a project and had no idea of what to do or how you would know when you've done it well? It's a frustrating experience.

Don't assume your employees – the "purchasing agents" for your health plan – know how to be savvy health care consumers.

Most likely, you want employees to become more involved in looking for effective health services and treatments at cost-effective prices – especially for their non-emergency care. That's what employees need to know.

Good communication campaigns spell out the expectations. So before introducing your consumer-design, be sure your communication program provides a simple "job description" of what employees will be doing when they're acting in a consumer-oriented way.

By clearly communicating what's expected, you'll get fewer cynical and emotionally charged questions such as, "If I'm hit by a bus, am I supposed to get bids on ambulance services and review hospital ratings before getting care?" Or, "If I have a health problem, should I take a couple pounds of Internet printouts to show my doctor what I think is wrong?"

The name "consumer-***driven***" may unintentionally create some cynicism among employees. Wouldn't it be better to call it what it's intended to do – a "consumer-***involved***" program?

A powerful way to help employees learn about what they can do is through stories. Certainly, you must respect employees' privacy. However, for example, your communication could highlight how employees who asked questions and became more involved in their health decisions had equally good – and sometimes better – outcomes at lower costs.

2. Disarm much of the emotional reactions

Medical plans are the most emotionally sensitive benefit you offer. Any time you communicate with employees about medical plans, they can become fearful. Some of that is because too many medical plan communication programs have over emphasized deductibles and copays while ignoring the valuable financial protection. Ask a few employees how much they'd have to pay if one of their enrolled family members had $500,000 in medical bills. Employees will often guess around $10,000 to $30,000 or more. Yet most medical plans limit the employees' out-of-pocket expense to around $3,000 to $4,000 a year. In addition, the plans typically provide several million dollars in protection over each enrolled person's lifetime. For employees, the high-level of financial protection is the real value of the plans. And it's something every employee should know.

Stories are also an effective way to show the financial protection the plans provide. Some "real life" descriptions – with proper privacy protection – can help employees learn about the actual costs paid by the plan and employees for major health expenses such as heart attacks, kidney transplants, premature babies, and more.

3. Turn the communication upside down

The radically new consumer-involved design requires a radically different approach in communicating ***all*** your medical plan options.

In consumer-involved designs, the account is the first line of protection and the plan is the backup – upside down compared to traditional plans and accounts.

Early in your communication, set the stage by informing employees that the new design is totally different – unlike anything they've seen.

Explain the account first. This is especially important if it contains an employer contribution.

In reviewing your medical claims data, you'll probably find that half of your employees have much less than $1,000 in expenses each year. If the employer-paid account will cover the first $500 or more in expenses, the account is all many employees will use.

Introducing a consumer-involved design using a traditional communication approach will create confusion and take more time. For example, if the high-deductible plan is described before explaining the account, you can expect a strong negative first impression that will be difficult to overcome.

In a consumer-design, you may want to name the medical plan based on what it does – such as the "Major Cost Protection Plan." Don't call it a familiar name because employees will expect it to do familiar things – such as offering copays. Most employees have not seen a plan that doesn't have copays. It's another unfamiliar way consumer-involved plans work. If you are introducing a medical plan that is tied to HSAs, make sure employees know that it's intended to be an IRS-qualified High Deductible Health Plan because that's the name the IRS will use in its tax forms and information.

If you also offer traditional medical options that don't include an employer-contributed account, start the explanation of those options by explaining there is no employer-contributed account available. This creates a more uniform framework for communicating all the options – first the account, or lack of one, and then the plan.

4. Communicate the new approach as a program – not two new separate elements

A consumer-involved design is easiest to understand when it is communicated as a "program." The account is the initial protection provided by the program. The medical plan provides enormous back-up protection, as well as preventive care coverage. Each time you show the high-deductible amount, be sure to precede it with a description of the amount available from the account.

By communicating the two elements as one program, you can help eliminate some confusion – especially about HSAs. Unless the employee is enrolled in an IRS-defined High Deductible Health Plan, and meets the other requirements, HSA contributions are not eligible.

If you're introducing HSAs, consult your ERISA legal counsel to help make certain you've not endangered the non-ERISA standing of HSAs. You may want to add an acknowledgment on the enrollment form (paper or electronic) something like, "I understand the HSA is not an employer-sponsored ERISA plan." Keeping HSAs non-ERISA while communicating them as part of a program will take some careful word crafting.

By the way, if you decide not to provide employer contributions to the HSAs, you should expect the employees' reaction to be similar to that of a 401(k) plan that has no employer matching contribution.

5. Describe HSAs/HRAs/FSAs as completely different – not as almost the same

The HSAs, HRAs, and FSAs have one main thing in common – health expenses. The way they work, what they cover, whose money is being spent, and other important factors are all different.

Moreover, not all the accounts can work with all the medical options. So don't communicate the accounts together. Communicate them separately along with the medical plans they work with – as part of a program.

6. Act like health plan costs matter

If you are making strong statements about the importance of health plan costs, be sure your words are backed up by your actions. Have high-fat foods and candy been removed from company areas? Have signs been posted in smoking areas stating the

medical plan's cost for smoking-related illnesses – and why are there smoking areas? If medical plan costs are important, the company should act like it.

By providing Internet-based health information programs, you can show your employer's interest in employees' health care. However, some people have trust and credibility issues with Internet information. So they are not a panacea.

Have you made it clear whose money is paying for the medical plan? Too many employees naively think some insurance company's money is paying their benefits. That's because the fundamentals of health plan financing have rarely been clearly explained. Ask some employees who pays for their medical claims. Many of them will likely tell you the money comes from the insurance company that administers your plan. The worse part of this misunderstanding is that some employees believe they ***should*** spend the plan's money so the insurance company won't add it to its profits.

This odd belief may be an unintended consequence of communicating the employer's average per-person cost of the plan without explaining health plan financing. If employees have been told the company is paying $5,000 for their medical ***insurance*** (what should be called ***coverage***), and most of them have less than $1,000 in medical claims, some employees may believe they need to spend more to prevent the insurance company from keeping it. This can also generate mistrust about health plan communication because the majority of employees know they did not have $5,000 in health care expenses.

Employees need to know that all the money that pays for their medical benefits comes from the employer and employees. No "rich insurance company" is footing the costs. And ultimately, the money the company pays, and the money employees contribute from their paychecks, comes from one source – customers.

The medical claims drive the medical plan costs. Whether the medical plan is self-funded or insured, in the big picture, the money being paid out in claims determines how much the employer and employees must paid in. Even in insured plans, if the claims are a million dollars a year, it's virtually impossible to get an insurance company to charge less than that.

No matter which medical option employees select, they need to have a better understanding of health plan financing and whose money they're spending. The consumer-involved designs send a clear "spend the money like it's your own" message. All the options should be communicated this way. So do not say, "Your health insurance ***pays.…***" Use a consumer-tone and avoid the word insurance. Say, "The health services and supplies ***you buy…using money from the plan.***" The goal should be to get all employees more involved in the purchase of their health care – not just the ones who signup for a consumer-designed plan.

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