

# What are High-Deductible Health Plans?

*Don't let the long title or acronym HDHP scare you. Be advised though – health plans within this category require informed decision making. It really comes down to knowing your employees health needs and their money management skills to determine if high-deductible health plans might work.*

If you own a car and pay for auto insurance then the term deductible is probably a familiar one. A deductible represents the out-of-pocket dollar amount required in payment by an end user prior to an insurance carrier applying any coverage pertaining to a claim. The higher the deductible on the policy, the lower the monthly premium paid for the coverage. Typically, the same can hold true in health plans.

## Here are three important things to understand when considering HDHPs:

**1**

HDHP monthly premiums tend to be less – however, it's critical to note that the low premiums are possible due to the higher deductible levels. The IRS qualifies HDHPs using the following deductible guidelines:

Coverage	Minimum Deductible	Maximum Deductible
Individual Plan	\$1,300	\$6,500
Family Plan	\$ 2,600	\$13,100

\*2017 Data. Deductibles revised annually.

**2**

In order to better prepare for and cover the expense of higher deductibles - HDHP plans allow for a variety of funding strategies.

- Health Savings Account (HSA)
- Health Reimbursement Account (HRA)
- Flexible Spending Account (FSA)

- 3** In considering a HDHP, it's necessary to realistically assess:
- The health status of your plan participants
  - The value/culture of good health & healthy behavior within your organization and
  - The financial capability of plan participants to adequately save for and contribute to the cost of high deductibles.



A TPA can help explain the details of HDHPs to enable addressing these considerations and selecting a health plan strategy that works best for your organization.

## Frequently Asked Questions

**Q** Is it accurate to assume that if I want the lowest monthly premiums possible I should just select a HDHP?

**A** Lower monthly premiums are just one aspect a HDHP has to offer. Employers considering a HDHP policy should not base their decision solely on that aspect.

Final decisions should be made only after assessing what's best for your workforce, your budget and your member's tolerance for a higher level deductible.

**Q** What are some indicators that would confirm a HDHP is the right choice?

- A**
- A healthy workforce.
  - A workplace culture that promotes wellness.
  - Age of those requiring coverage. (Individuals 65 years or older and small children tend to require more frequent health care attention.)
  - Financial ability of your employees and retirees to tolerate a high deductible plan.