

CONSUMER DIRECTED HEALTH CARE

Although consumer-directed health plans (CDHP) had a slow start, there is increasing interest in this new trend of healthcare services. According to Forrester Research, by the year 2008 more than 22 million employees will be enrolled in a CDHP. There are currently an estimated 2.7 million enrollees.

The escalating cost of healthcare is the main reason for the growth in CDHP enrollment. A report by the Centers for Medicare and Medicaid Services states that in 2002, health care spending grew 5.7% faster than the overall economy. This made 2002 the fourth consecutive year that the rate of health care spending exceeded the growth of the economy. One way to combat this trend is to make sure that people become more informed on healthcare purchasing options. With CDHP, consumers are given the opportunity to make the purchasing decisions about their healthcare. Supporters believe that this new role for the consumer will help drive down the ever increasing healthcare costs.

For the most part, large companies are gradually introducing CDHPs to employees. With CDHPs companies are able to place the responsibility of healthcare on the employee. This responsibility brings with it awareness of healthcare costs. With the proper education and introduction of these products employees will become confident in selecting a plan. An additional benefit for employers is that they are now able to foresee company healthcare costs.

Through CDHP participants can choose from different types of spending accounts:

- Medical Savings Accounts (MSA)
- Health Savings Accounts (HSA)
- Flexible Spending Accounts (FSA)
- Health Reimbursement Accounts (HRA)

Health Savings Accounts (HSA) were created by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003. These accounts allow individuals to save money on a pre-tax basis for current and future medical expenses. Money can only be withdrawn, tax-free, from HSAs to pay for qualified medical expenses. It is required by law that HSAs be coupled with a high-deductible health plan (HDHP). The money can then be used to pay for the deductible associated with the plan. 1,031,000 people were enrolled in HSA/HDHP accounts in March 2005. According to Forrester Research more than 6 million will be enrolled by 2008.

One of the major drawbacks of HSAs to physicians is the increase in billing and collection costs. The patient now has the responsibility of saving money for services and deciding how much to pay for services already rendered by a practitioner. This will no doubt lead to higher numbers of patients with past-due accounts.