

Guide to Consumer Driven Health Plans (CDHPs)

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Blue-by-Design and Blue Health Fund are Service Marks of the Blue Cross and Blue Shield Association.

Consumer Driven Health Plans (CDHPs)

CDHPs are alternatives to current health care plans. They are cost efficient for members and employers, allowing them to choose from a variety of health care options.

There are three types of CDHPs: Health Reimbursement Accounts (HRAs), Health Savings Accounts (HSAs) and Flexible Spending Accounts (FSAs).

Health Reimbursement Account (HRA)

An HRA is a medical reimbursement plan paid for by the employer. In some cases, BlueCross will make the reimbursement and the employer or group will pay BlueCross.

The employer or group sets the maximum HRA fund balance each employee can have. The employer or group decides how much of the unused balance the member can carry over to the next year.

The employer or group reimburses the provider or member for qualified medical expenses up to the maximum dollar amount. This includes expenses for urgent care, hospital visits, deductibles, coinsurance and copayments.

The member has the freedom to use doctors and facilities of his or her choice without a referral. Members can stay in network or go out of network, but will pay more for choosing out-of-network care.

HRA plans comply with Consolidated Omnibus Budget Reconciliation Act (COBRA) continuation coverage.

Health Savings Account (HSA)

An HSA is a special account into which the employer or group, member or the member's friends and family can make tax-deductible contributions to pay for certain medical expenses.

Members use HSAs with High Deductible Health Plans (HDHPs). They can use HSA funds for any IRS Section 213(d)-allowable expense that is not otherwise reimbursed. Members can also use HSA funds for non-qualified medical costs. If they are under the age of 65, however, they will have to pay taxes and an additional 10% penalty on withdrawals made for non-qualified medical costs.

If members do not use their HSA funds, the money rolls over to the next year.

HSA plans do not comply with COBRA continuation coverage under section 4980B.

Flexible Spending Account (FSA)

FSAs, or cafeteria plans, are employer-sponsored accounts that let members save money on a pre-tax basis to pay for their medical or dependent care costs. This lowers members' taxable income — which means they bring home more of their net pay!

Members can pay for qualified medical expenses not reimbursed by their company's health plan (such as deductibles, coinsurance and copayments).

The FSA does not allow funds to roll over.

BlueCross BlueShield of South Carolina's CDHP Options

BlueCross BlueShield of South Carolina offers the following CDHPs:

Blue-by-DesignSM
Blue Health FundSM
Flexible Spending Accounts

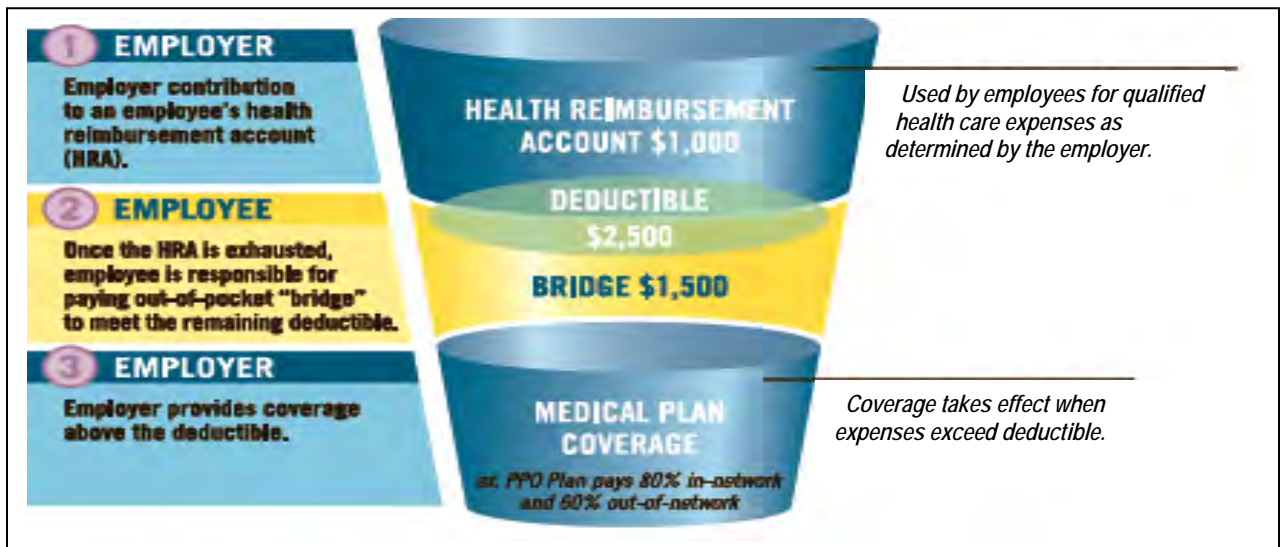
Blue-by-Design

Blue-by-Design is a consumer-driven health plan that includes Health Reimbursement Accounts (HRAs). HRAs are nontaxable, employer-owned and funded accounts that members use to pay for health care services throughout the year. With Blue-by-Design, members have the power to make their own health care decisions. They can choose from more than 600,000 health care professionals and facilities in all 50 states and abroad. Members can seek care outside our networks and have access to all the BlueCross discount programs. A Blue-by-Design plan has three main parts:

- Health reimbursement account (HRA)
- Bridge
- Health plan

The following example illustrates how these three components work together:

Member Tom Joad has \$1,000 in his **HRA**, and his total deductible is \$2,500. The \$1,000 in the **HRA** will be applied to Mr. Joad's deductible, leaving a balance of \$1,500, which is the **bridge**. The **bridge** is the remaining balance of the deductible which Mr. Joad is responsible for satisfying. Once the **bridge** has been met, Mr. Joad's **health plan** takes effect (for example, the member's normal Preferred Provider Organization [PPO] Plan).



Blue Health Fund

Blue Health Fund pairs a high deductible health plan (HDHP) with a separate, tax-sheltered savings account called a Health Savings Account (HSA). A member's health plan provides health care coverage, while the HSA lets the member save tax-deductible, interest-earning funds. These funds help cover the member's deductible and other qualified medical expenses.

The member has the freedom to use doctors and facilities of his or her choice in or out of network. Choosing out-of-network care, however, will result in higher out-of-pocket costs.

Flexible Spending Account (FSA)

BlueCross will reimburse members for qualified expenses from their FSA funds in one of three ways. BlueCross will reimburse by check, by crediting the member's debit card or by electronic fund transfer (EFT) to the member's personal checking or savings account. In order for BlueCross to reimburse members, members must file a paper claim to BlueCross, have a health care debit card or be set up for EFT.

Automatic Adjudication:

BlueCross BlueShield of South Carolina automatically sends processed claims for eligible members to our FSA department. The members are then reimbursed for qualified expenses up to the amounts of their annual FSA contributions. Automatic adjudication is available for both health and dental plans.

If members or their dependents have other health coverage that pays secondary to their BlueCross coverage, they are not eligible for automatic reimbursement.

Manual Paper Claims:

Employees or members can submit standard paper FSA claim forms after they incur qualified expenses. Members send the claim forms to BlueCross along with copies of an explanation of benefits (EOB), an itemized bill from the service provider or a cash receipt.

Debit Cards:

Debit cards give employees or members direct access to their FSA funds at the point of service to pay for qualified medical expenses. A member can only use the debit card if funds are available in the account. The group or employer can limit the merchant types able to accept the debit cards.

Sample Stand-alone Debit Card



Quick Reference Chart

	Blue Health Fund/Health Savings account (HSA)	Blue-By-Design/Health Reimbursement Account (HRA)	Flexible Spending Account (FSA)
Funding Source	Group and/or member, friends and family of the member	Group only	Group, member or both
Eligibility	Anyone with a qualified High Deductible Health Plan who is not entitled to Medicare, not claimed as a dependent on another person's tax return and who does not have another health coverage plan that is not an HDHP (including coverage under a spouse's plan).	All employees or members who are not self-employed.	All members or employees who are not self-employed.
High Deductible Plan Required	Yes	No	No
Year-to-Year Rollovers	Yes	Group/employer discretion.	No
Portable	Yes , funded individual account. Employee retains access to unused account balance even upon termination.	Group/employer discretion because the account is strictly funded by the group/employer.	No , must be used during periods of employment and/or continuation under COBRA. Cash-outs not permitted.
Tax Statue of Contribution	Group and member contributions are not subject to payroll taxes. Reimbursements are tax-free as long as they are used for qualified medical expenses.	N/A	Group and member contributions are not subject to payroll taxes. Reimbursements are tax-free as long as they are used for qualified medical expenses.
Distributions (or Cash-Outs) for Non-medical Expenses Permitted	Yes , however, distributions for non-medical expenses are taxable and subject to a 10% excise tax.	No	No
Does COBRA Apply?	No for HSAs generally, but COBRA may apply to an employer-sponsored HSA that is an Employee Retirement Income Security Act (ERISA) plan and/or to HSAs sponsored by state and local government employers.	Yes	Yes , but there is a special rule for qualifying FSAs.*

*Refer to Glossary of Terms for special rule.

Glossary of Terms

Qualified Medical Expenses:

Medical care expenses primarily paid to diagnose, treat or prevent disease, and to treat any part or function of the body (as described in Section 213(d) of the Internal Revenue Code). This expense must be to alleviate or prevent a physical defect or illness.

Expenses that merely benefit one's general health or are for cosmetic reasons are not qualified medical expenses.

Out of Pocket:

Costs that a member must pay outside of his or her health benefits plan.

Out of Network:

The use of health care professionals and facilities that have not contracted with the health plan to provide services.

In Network:

The use of providers who participate in the health plan's network.

Portable:

The ability of members to take their funds with them in the event of termination or resignation.

Rollover:

The ability of the funds in a CDHP account to transfer within a specified timeframe, specifically from year-to-year.

COBRA (Consolidated Omnibus Budget Reconciliation Act):

A federal act which requires each group health plan to allow employees and certain dependents to continue their group coverage for a stated period of time following a qualifying event that causes the loss of group health coverage. Qualifying events include reduced work hours, death or divorce of a covered employee and termination of employment. Employers must make health plans available for periods ranging from 18-36 months.

ERISA (Employee Retirement Income Security Act of 1974):

A broad-reaching law that establishes the rights of pension plan participants, standards for the investment of pension plan assets and requirements for the disclosure of plan provisions and funding.

FSA COBRA Special Rule:

If you have an account balance as of the date you terminate employment or lose eligibility for participation in this plan, and you wish to continue to submit claims for eligible health care expenses incurred after that date, you may elect to continue participation in the account by making contributions on an after-tax basis for the remainder of the current calendar year.