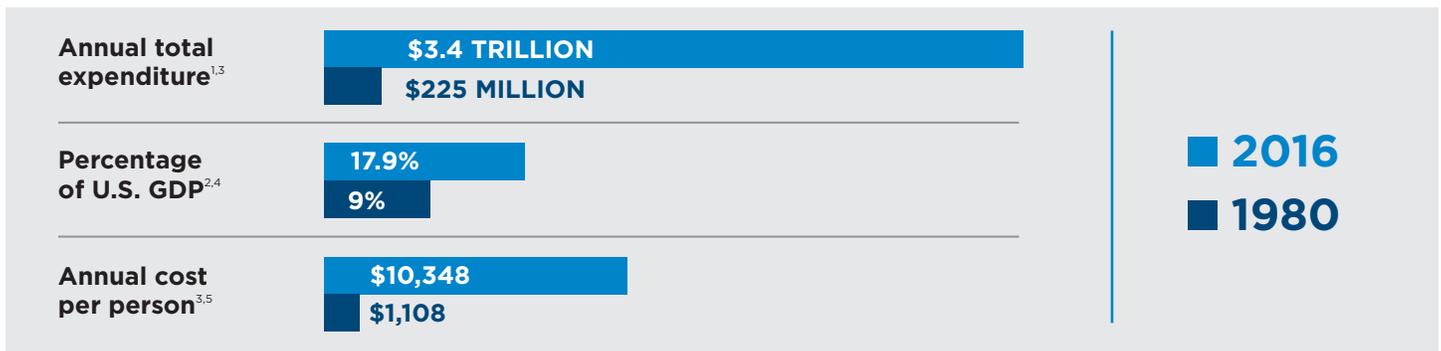




MITIGATING THE IMPACT OF HIGH-Deductible HEALTH PLANS

Over the years, employee benefits have changed drastically. Gone are the days of \$5 copays for specialist office visits or \$100 annual deductibles, with low employee out-of-pocket maximums. Today, employers are migrating to high-deductible health plans (HDHPs) in an attempt to control costs in an industry where costs continue to rise exponentially.

In 2016, U.S., health care expenditures totaled \$3.4 trillion.¹ That makes health care one of the country's largest industries, equaling 17.9% of the country's gross domestic product (GDP).² In comparison, health care cost \$255 billion in 1980,³ just 9% of GDP.⁴ That translates to an annual health care cost of \$10,348 per person in 2016⁵ versus \$1,108 per person in 1980.³ Overall, health care costs in the United States have risen faster than the annual income rate.³



The original idea for HDHPs was to give employees some “skin in the game.” By making employees responsible for a portion of their own health care expenses, the theory was that they may be more responsible and cost-conscious when it came to seeking care. Insurers and employers pictured employees shopping for lower rates and making wise decisions about where and when to seek care since they would likely be paying for some, or all of the costs, up to their deductible.

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Offered by: Life Insurance Company of North America or Cigna Life Insurance Company of New York.

However, employees are often uneasy about the prospect of an HDHP. While monthly premiums are lower than a plan with a smaller or nonexistent deductible (like a preferred provider organization [PPO] plan), employees may only see the dollar signs associated with their portion of the cost for care. This expense could be a financial burden for many Americans. Because of this, many employees may forgo necessary care because they are afraid of the out-of-pocket costs associated with a doctor's visit. The average aggregate deductibles for workers with family coverage are \$4,321 for health reimbursement account (HRA) and \$4,364 for health savings account (HSA) qualified HDHPs.⁶



HDHPs are associated with a decline in (non-preventive) outpatient office visits for workers at all income levels, with a decline of more than 100% for workers and dependents with incomes below \$50,000.⁷

The appeal of an HDHP

Despite these findings, there's real appeal in moving to an HDHP, especially from an employer perspective. In a world where medical costs continue to rise, offering an HDHP in place of a PPO plan can mean meaningful premium savings to employers AND their employees.⁶

	PPO CONTRIBUTION ⁶	HDHP CONTRIBUTION ⁶	PREMIUM SAVINGS
Employer	\$13,433	\$12,448	\$985
Employee	\$5,569	\$4,289	\$1,280
Total	\$19,002	\$16,737	\$2,265

How can employers help?

The natural question, then, is "what can employers do to help bridge the gap for employees who may have insecurities about HDHPs?" Forgoing medical care is certainly not the answer, but it may seem to be the only option for people who can't afford to fully fund an HSA, which is designed to provide a tax benefit for dollars saved to pay for medical expenses. With

47% of employees having less than \$1,000 on hand for unexpected medical expenses,⁸ the prospect of incurring a bill of \$4,364 (the average deductible for family coverage⁶) could mean choosing between receiving medical care or paying the mortgage.

When employers choose to migrate to an HDHP and offer supplemental plans such as accidental injury, critical illness and hospital indemnity insurance, they can help make the transition to the new plan design less stressful for their employees. These supplemental health plans can help bridge financial gaps and provide employees with a sense of security, while still maintaining meaningful premium savings generated by HDHPs.

A win-win for employers and employees

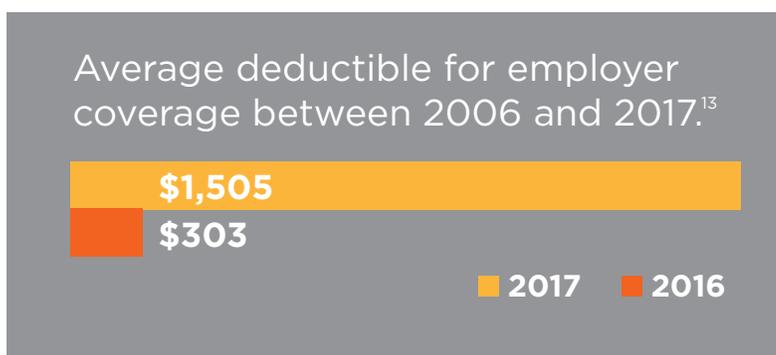
Supplemental health plans are a win-win for employers and employees alike. Employers and their employees can both still save money on premium costs over a PPO when offering employer- and/or employee-paid (voluntary) benefits alongside an HDHP.

	HDHP CONTRIBUTION ⁶	+	ONE EMPLOYER-PAID BENEFIT ⁹	TOTAL	PREMIUM SAVINGS	+	ONE VOLUNTARY BENEFIT ⁹	TOTAL	PREMIUM SAVINGS
Employer	\$12,448		\$275	\$12,723	\$710		0	\$12,723	\$710
Employee	\$4,289		0	\$4,289	\$1,280		\$325	\$4,614	\$955
TOTAL	\$16,737		\$275	\$17,012	\$1,990		\$325	\$17,362	\$1,665

86% of employees say it's important that their employer offer these benefits.¹⁰ It's not surprising, given that 61% of employers offer HDHP as a benefit choice.¹¹ Cost-shifting from employers to employees has increased over the years, with the average deductible for employer coverage increasing from \$303 to \$1,505 between 2006 and 2017.¹² There doesn't seem to be an end in sight for these increases, according to benefits analysts,¹³ so supplemental plans are becoming more and more important in helping employees feel more financially secure.

What does the future hold?

According to Willis Towers Watson, the top priority for employers in the coming year is cost management of health benefit programs.¹⁴ Employers have made progress in recent years to refine their subsidy and carrier/vendor strategies, and now look to other aspects of their health benefit programs to improve health and dampen future cost increases.¹⁵ Given the trend of rising health care costs over the years, it's likely employers will need to continue to look for ways to shift some costs to employees, without overburdening them financially. Moving to a HDHP and combining it with employer-paid supplemental benefits can help meet cost-savings objectives.



Did you know?
61% of employers offer HDHPs as a benefit choice¹¹

A photograph of a woman in a white blazer sitting at a desk and smiling, with a man in a light blue shirt leaning over her shoulder, also smiling. They appear to be in a modern office environment with large windows in the background.

How Cigna can help

As a health service company, Cigna has the capabilities and insights to deliver a more connected approach to employers' overall benefits strategy. We have a holistic view of health that allows us to deliver personalized, proactive support while fostering a greater sense of security – contributing to employees' overall health and well-being.

Recently Cigna worked with a public school system employer¹⁶ (with approximately 10,000 employees) to add an HDHP with HSA to their offerings, to help offset increasing medical costs. After leveraging Cigna's Critical Illness predictive model tool and reviewing both the employer's current offerings and their employee population, Cigna recommended adding employer-paid Critical Illness (and employee-paid Accidental Injury) insurance as a way to incentivize employees to participate in the HDHP.

The school district decided to offer:

- Cigna Critical Illness insurance - at no cost - to employees enrolled in the self-funded HDHP, with an employee-paid buy-up option to increase coverage and cover their spouse and/or children.
- Employee-paid Cigna Critical Illness insurance to employees not enrolled in the self-funded HDHP, for themselves and their spouse and/or children.
- Employee-paid Cigna Accidental Injury insurance to all employees, for themselves and their spouse and/or children.

Because employees are sometimes uneasy about the potential of high out-of-pocket medical costs, offering employer-paid Critical Illness and employee-paid Accidental Injury insurance can help provide additional financial protection for employees and their families – a value that will hopefully encourage continued participation year after year.

The results¹⁶



Cigna's connected approach

Cigna helps make it easier for employees to get the maximum benefits they deserve with connected plans that are built and designed to work together. Our plans work harder for employers and their employees – that's the idea behind Cigna Simple File®.

- **Cigna Simple File – Auto claim** is for employees with Cigna Short-term Disability (STD) insurance and Cigna's supplemental health solutions. When an employee files their STD claim, we use that information to **automatically submit** their eligible Cigna Accidental Injury, Critical Illness and/or Hospital Care claim for them so they don't have to.
- **Cigna Simple File – Auto compare** is for employees with Cigna Health, Life, Long-term Disability (LTD), or Accidental Death and Dismemberment (AD&D) insurance, and Cigna's supplemental health solutions. We'll **automatically compare** their Cigna claims and remind employees to file their eligible Cigna Accidental Injury, Critical Illness and/or Hospital Care claim if they haven't already done so.

For more information about Cigna Voluntary Solutions, visit [Cigna.com/group-voluntary](https://www.cigna.com/group-voluntary).



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