

AssureCare Consumer Directed Health Plans

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Consumer choice in a free marketplace is the cornerstone of America's economic success. Enterprise, competition, and efficient markets consistently produce new technology, new and better services and the lowest price for products and services. And yet, during the last decade of increasing health care costs, the power of individual consumer choice has been eroded through inefficiencies in health care delivery, burdensome administration, and interference in the natural relationship between the physician and the patient.

Consumer behavior is a key component in controlling costs. The health plan system in the United States has discouraged cost oriented decision-making and encourages over-consumption and over-utilization of medical services.

Now, however, our industry is in the early stages of an evolution toward Consumer Directed Health Plans (CDHP). As in other medical management and cost containment strategies, AssureCare has developed innovative services to support CDHP initiatives. Our CDHP services fall into *three main categories*.



Category I: *Health Savings Accounts*

In December of 2003, Congress passed the most significant tax-advantaged benefits legislation in more than 30 years. The Medicare Prescription Drug, Improvement and Modernization Act of 2003 provides for the establishment of **Health Savings Accounts** (HSAs) for individuals covered by a High Deductible Health Plan.

- Contributions to an HSA are tax deductible;
- Contributions may be made by the employee, the employer or both;
- Earnings on investments accumulate tax free;
- Assets and contributions are 100% vested in the individual and portable;
- Distributions to pay for qualified medical expenditures are tax free;
- Minimum deductibles for 2004 are \$1000 for single and \$2000 for family
- 2004 Maximum contributions are the lower of the deductible amount or \$2,600 for single coverage and \$5,150 for family coverage; and
- Contributions made by payroll deduction through a 125 plan will also avoid payroll taxes.

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Category 2: *Reimbursement Arrangements*

Health Reimbursement Arrangements (HRAs) provide another IRS sanctioned approach to implementing a Consumer Directed Health Plans. Usually established in combination with a high deductible plan, employees are provided an employer sponsored “health spending account”. Dollars allocated to these accounts may be used by employees to cover a portion of the plan deductible, out-of-pocket expenses or other expenditures as designated by the employer. Unused balances in the HRA at the end of the year are “rolled-over” to the next year. In this manner, employees accumulate higher and higher spending limits within the HRA.

Depending on the objectives of the employer plan sponsor, HRAs may be combined with other plan designs to achieve specific goals.

Category 3: *Flexible Benefit Plans*

A Flexible Benefit Plan, also known as a Cafeteria Plan or Section 125 Plan, has been around since the mid-1980s. These programs permit employees to set aside money from their paycheck to cover specific qualified expenses. These expenses may include medical insurance premiums, out-of-pocket medical expenses, dependent care expenses or expenses for work related transportation and parking.

The salary reductions made by employees are exempt from income tax and payroll tax. The distributions or reimbursements to cover the qualified expenses are tax-free.



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Employers interested in both cost containment strategies and employee choice should investigate the advantages of Consumer Directed Health Plans. As with other cost containment strategies, AssureCare has provided leadership in these areas.

We believe a successful Consumer Directed Health Plan strategy requires the following key tools and services:

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Proposal and Plan Design Service

Employers need to understand how CDH Plans work and how they may be combined to maximize the benefit to employees and optimize cost containment. Contribution and expense modeling for current and future funding is a key requirement.

Preferred Provider Network Pricing

Employees managing their medical expenses want the same discount pricing from provider networks given to health plans and insurance carriers. AssureCare systems enable these pricing services to extend to employee directed spending accounts

Bank Card Transaction Management

Bank cards provide convenience and flexibility for employees managing their spending accounts. At the same time, bank cards can simplify plan administration and provide important spending controls. AssureCare can provide both credit and debit card models to meet the objectives of your Consumer Directed Health Plan strategy.



Contribution and Investment Management Flexibility

AssureCare systems provide important flexibility in managing both contributions and investments within Consumer Directed Health Plans. Cash flow management and cost containment are a primary focus of our service.

Compliance and Reporting

AssureCare manages IRS compliance and reporting to ensure that your plan operates within the rules. We report regularly on plan activity and status to ensure the plan continues to meet your objectives and those of the participants.

Employee Education

We believe that employees make good health care consumers when provided financial incentives and the information to make informed choices. AssureCare puts an emphasis on educating employees about plan design, operations and managing their accounts.