

# Two Health Economists' Summary of Boston University's Health Plan Choices for 2016

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# Background

- In July 2015, Boston University (BU) announced it is discontinuing its HMO and PPO plans and only two plans will be offered for 2016
  - New Preferred Provider Organization (PPO) plan
  - BU Health Savings Plan (HSP)
- Employees have until November 18 to choose
- If you fail to elect a plan you will default into one:
  - HMO and PPO enrollees will go into the New PPO plan
  - HSA enrollees will remain in the existing HSA plan

# Definitions

- **Copayment** = fixed dollar amount per visit (e.g., \$30)
- **Coinsurance** = a fraction of the billed amount (e.g. 10% of fee)
- **Deductible** = the amount of money you have to pay with no coverage before you start getting insurance\*
- **Out-of-pocket maximum** = the maximum amount of money you pay before everything is fully covered\*
  
- **Flexible spending account (FSA)**
  - user chooses how much money to put in up to a cap
  - for deductibles, copayments, coinsurance, uncovered but medically qualified services, dental care, eyeglasses ,etc.
  - Lets you pay for qualified medical expenses with BEFORE TAX INCOME.
  - “Use it or lose it” feature means you have to spend FSA by March 31 of following year or it is lost
  - The cap on the amount you can put in is \$2550 for 2016.
  - BU may contribute \$0, \$125, \$250 or \$500 to your FSA depending on your income and individual/family choice\*
  -
  
- **Health Savings Account (HSA)** [http://www.bu.edu/hr/documents/BN\\_Fidelity\\_HSA\\_Guide.pdf](http://www.bu.edu/hr/documents/BN_Fidelity_HSA_Guide.pdf)
  - Same as the FSA except:
  - No “use it or lose it” - funds can be saved for future years.
  - Excellent savings instrument, similar but better than an IRA: May be able to avoid taxes altogether
  - BU contributes to your HSA: \$500 for single, \$1000 for family\*
  - For 2016, you can put in \$2,850 for single coverage and \$5,750 for family coverage.
  - Catch up contributions (\$1000) allowed for those over age 55
  - Not allowed if you have signed up for Social Security benefits or Medicare Part A (you or your spouse if on family coverage). Below is a good discussion on the AARP web site\*

[http://www.aarp.org/health/medicare-insurance/info-04-2009/ask\\_ms\\_medicare\\_question\\_53.html](http://www.aarp.org/health/medicare-insurance/info-04-2009/ask_ms_medicare_question_53.html)

\*See fine print details below

# New PPO plan

- The NEW PPO plan, is a complex four-tier plan with full coverage for most services provided at the BMC in Boston, modest copays at In-Network providers and higher copays at out-of-network providers.
- PPO is ONLY offered with the FSA.
- This NEW PPO plan has a maximum out of pocket payment of \$2500 per individual/\$5000 per family, with double these limits on out-of-network coverage.
- There is a separate out-of-pocket maximum of \$2000/\$4000 on prescription drugs.
- People earning less than \$70,000 get BU contributions toward their FSA:
  - Income < \$70k: subsidy is \$250 (ind)/\$500 (fam);
  - Income \$70k to 100k: subsidy is \$125 (ind)/\$250 (fam)

# New PPO Plan (2)

Full fees for specialty care before deductibles: \$250 per person/\$500 per family per year

Office visit copays do not count toward deductible

Then:

	office visits	Inpatient & outpatient services
Boston Medical Center providers	\$15	free
Low cost, in-network providers	\$30	10%
High cost, in-network providers	\$40	20%
Out-of-network providers	30%	30%

maximum out-of-pocket payment (stoploss) of \$2500 per person, \$5000 per family,

Double these stoploss limits on out-of-network coverage. (Payments in-network do not affect this)

There is also a separate max of \$2000/\$4000 on prescription drugs in this plan.

# New BU HSP Plan

- The BU Health Savings Plan (HSP) is a two-tier plan with 10% coverage after the high deductible (for almost all services including those provided at the BMC)
- BU HSP is only offered with the HSA.
- This HSP has a \$1500 (ind)/\$3000 (fam) deductible
- But BU offers a bonus of \$500 (ind) \$1000 (fam) contribution to HSA.
- HSP has maximum out-of-pocket payment of \$3000 per person \$6000 per family, with double these limits on out of network coverage.
- Prescription drug costs are included in the out-of-pocket maximum.

# Key Advantages of the HSA

- **Triple-tax advantage.** Money you contribute to the HSA is tax-free, the account grows tax-free, and you pay no taxes when you use the money for qualified health expenses.
- **No “use it or lose it” rule.** Unlike a flexible spending account, the unused balance carries over from year to year.
- **Contributions from BU.** BU contributes to your Fidelity HSA on your behalf, as long as you contribute as well. The amount of BU’s contribution depends on your coverage level.
- **Portability.** If you change plans, retire or leave the University for any reason, you keep your account balance.
- **Investment options.** Money in your HSA can grow through investment earnings. You can choose to invest amounts of at least \$2,500 in one or more investment funds. Until then, those amounts earn interest in a cash account.
- **Hassle-free contributions and withdrawals.** You can contribute to your HSA through easy payroll deductions that you may change at any time. For withdrawals, you can use your Fidelity-provided debit card. Or you can log in to your Fidelity account and elect to pay a provider or request reimbursement for expenses you already paid out of pocket.
- **Immediate and permanent ownership.** You own your HSA even if you leave the University.
- **Rollovers.** If you already own an HSA, you can roll your current balance into this HSA. You can also roll over your balance with Fidelity from time to time to a different HSA for investment and administration by that HSA’s custodian.

<http://www.bu.edu/hr/oe/the-health-savings-account/>

# “Fine Print” Details

- The definition of deductible on slide 3 is “the amount of money you have to pay with no coverage before you start getting insurance”. Qualifying prevention care is always free in both plans even before the deductible. However, it is important to note that under the PPO, office visit and prescription copays are not subject to the deductible (although they do count toward the out-of-pocket (OOP) maximum). This means that office visits and prescriptions are covered immediately by the appropriate copay in the PPO plan.
- As highlighted in the BU Health plan guide, an important distinction between the new PPO plan and the HSP plan is how the deductibles and out-of-pocket maximums are accumulated. Under the new PPO plan, the deductible and out-of-pocket maximum is accumulated on an individual basis. This means that regardless of the number of individuals covered under the plan, any one individual that reaches the deductible will be covered at the appropriate co-insurance level and the remaining family members will be covered when the family deductible amount is collectively reached by those family members. This is also the way in which the out-of-pocket maximum is administered. However, under the HSP, the deductible and out-of-pocket maximum is based on all members of a plan reaching the deductible and out-of-pocket maximum collectively before any family member receives benefits or is fully covered having reached the family out-of-pocket maximum.
- You cannot put money into your HSA while you still have money in your FSA from the previous year. Hence if you have a leftover FSA balance you are spending before March 31, you will need to delay your HSA contributions until you have spent down that money, or on April 1 when it is lost.
- HSA contributions can be changed any month of the year, while FSA contributions must remain fixed unless you have a life changing event.
- You cannot contribute to the HSA if you are either on Social Security or enrolled in Medicare Part A. You can defer Medicare Part A beyond age 65 by not enrolling, but it is not automatic.
- Beware that starting Social Security after age 66 can retroactively trigger eligibility for Medicare for six months prior to this change, and create penalties from your HSA. Become informed if you are planning to delay Part A eligibility. See AARP link above for discussion or get counseling.
- The out-of-pocket maximums do not include uncovered services or drugs not in the formulary (list of covered drugs).
- In the new PPO, lab tests sent out to a lab and not done in the doctors office are not covered by the office visit fee, but require the appropriate coinsurance rate (100% if before the deductible, 10% for most, 20% if in hospital, 0 % if after OOP max.)
- The only providers considered higher cost by the PPO are the ones at higher cost hospitals as identified by BCBS. These may change.
- BCBS has arranged for the same negotiated fees in both the PPO and the HSP, so differences in allowed charges should not differ between the two plans.



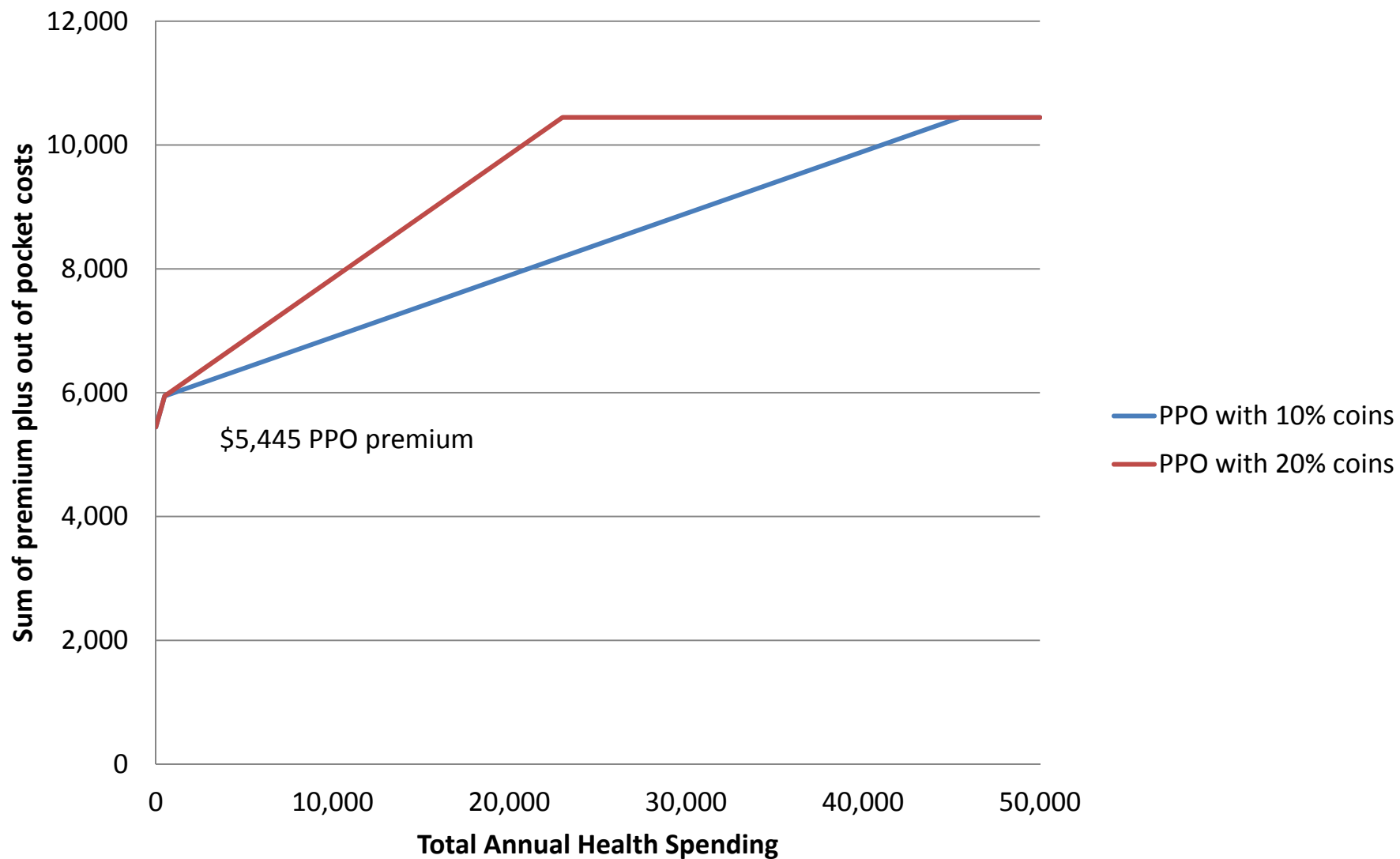
# New PPO and HSP Plan Compared

	<u>New PPO</u>	<u>HSA</u>
Annual employee premiums:		
Employee	\$1,862	\$1,432
Employee+Child(ren)	\$3,397	\$2,614
Employee+spouse	\$3,909	\$3,008
Family	\$5,445	\$4,189
deductibles:	\$250 Ind./\$500 Fam	\$1500 Ind./\$3000 Fam
	office <u>visits</u>	Inpat. & outpat. <u>services</u>
Prevention care	free	free
Boston medical center providers	<b>\$15</b>	<b>free</b>
Low-cost, in-network providers	<b>\$30</b>	10%
High-cost hospital providers		<b>20%</b>
Out-of-network providers	30%	30%
		Almost <u>everything</u>
OOP Max on medical	\$2500 (ind)/\$5000 (fam)	\$3000 (ind)/\$6000 (fam)
OOP Max on out of network	\$5000(ind)/\$10,000 (fam)	\$6,000 (ind)/\$12,000(fam)
OOP Max on prescription drugs	<b>\$2000/\$4000 separate</b>	<b>included in the above</b>

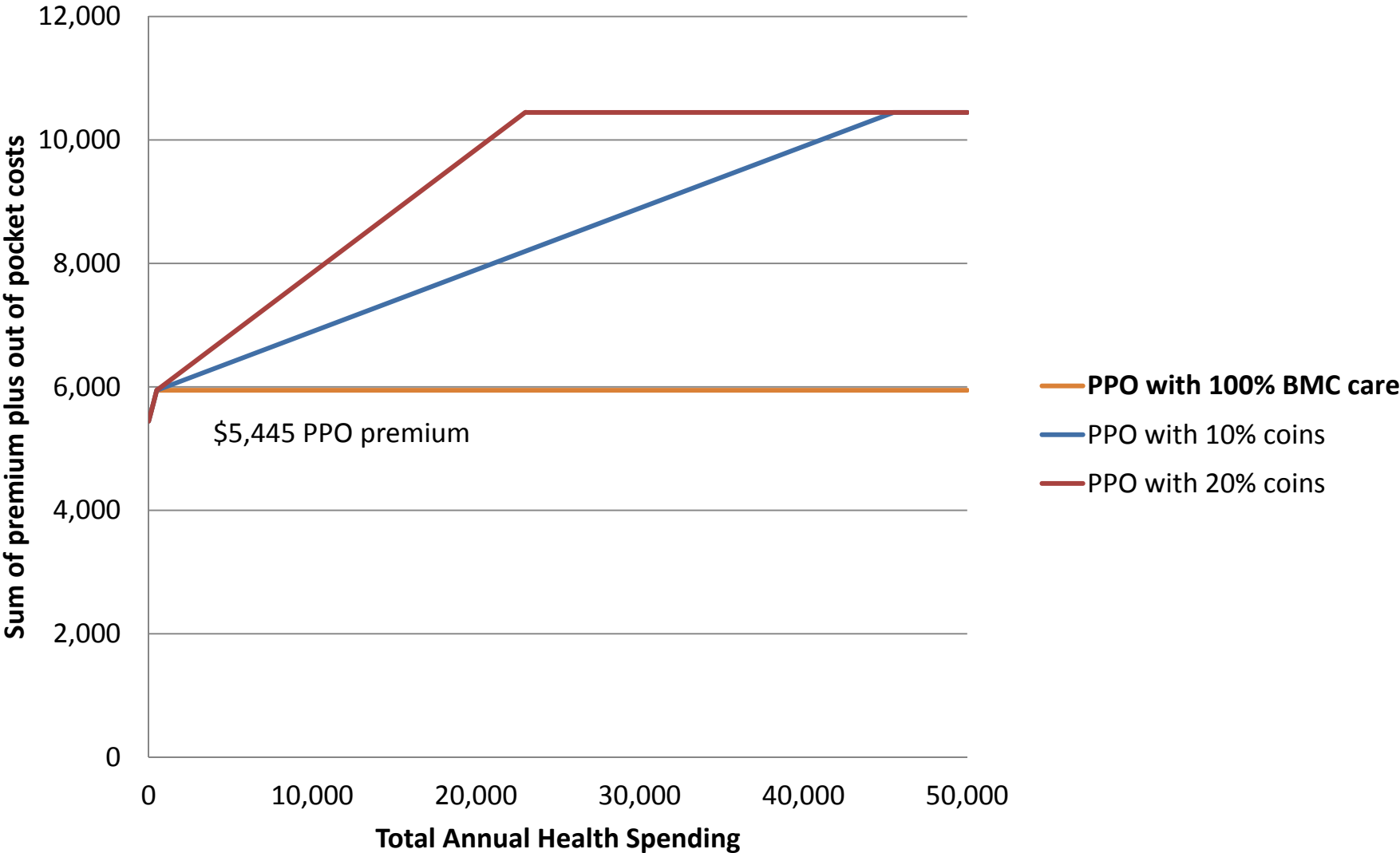
# Annual Premium Calculations

	<u>New PPO Plan</u>	<u>BU Health Savings Plan</u>	<u>Difference</u>	<u>Difference after BU HSA \$500/1000 contributions</u>	<u>Difference if income &lt; \$70k with \$250/500 FSA contribution</u>
Employee Only	\$1,862	\$1,432	\$429	\$929	\$679
Employee plus Child(ren)	\$3,397	\$2,614	\$784	\$1,784	\$1,284
Employee plus Spouse	\$3,909	\$3,008	\$902	\$1,902	\$1,402
Family	\$5,445	\$4,189	\$1,256	\$2,256	\$1,756

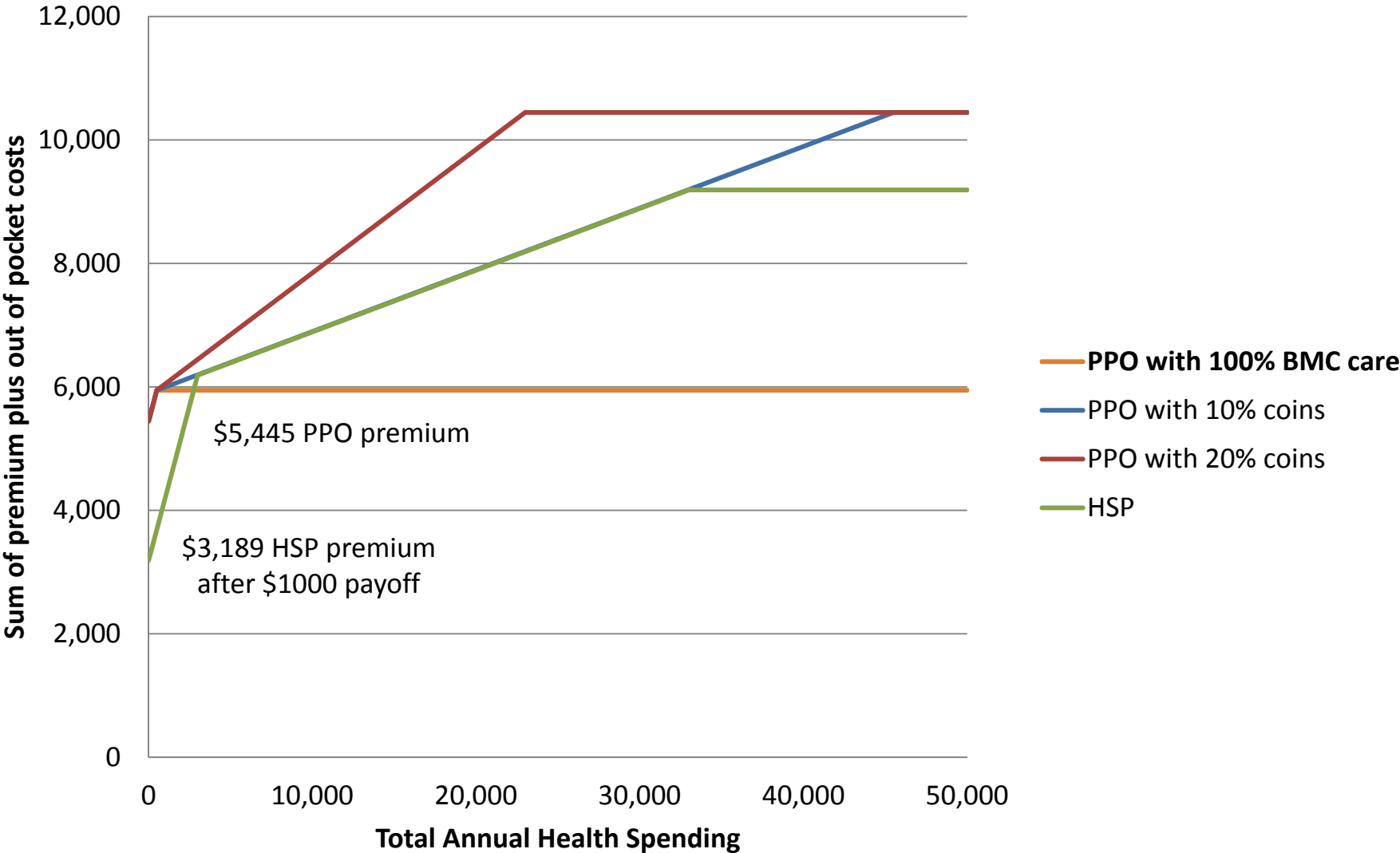
**Plot of FAMILY (two adults plus child) plans for PPO option for two coinsurance rates, (ignoring PPO \$30 visit copays, health spending divided between all members equally)**



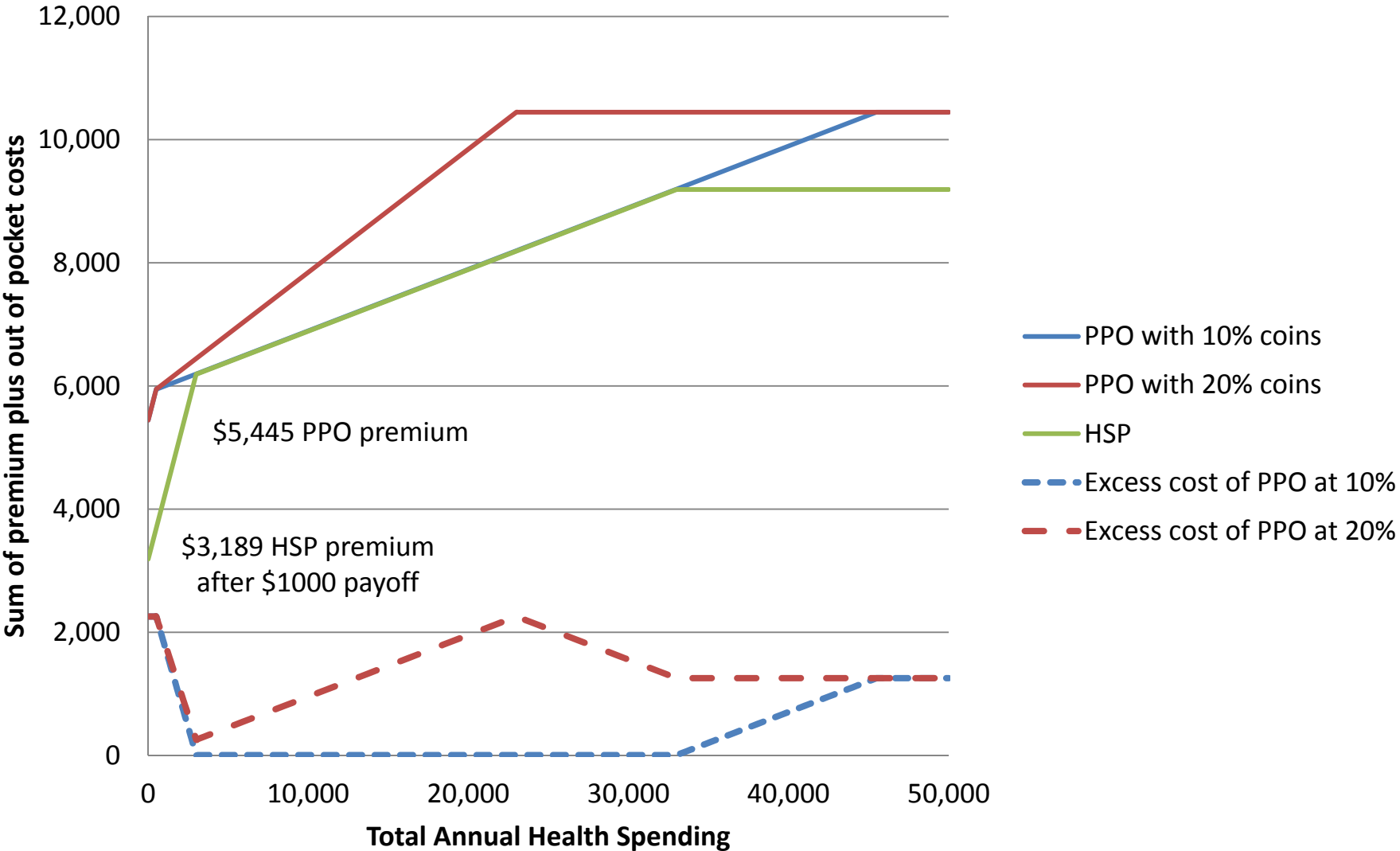
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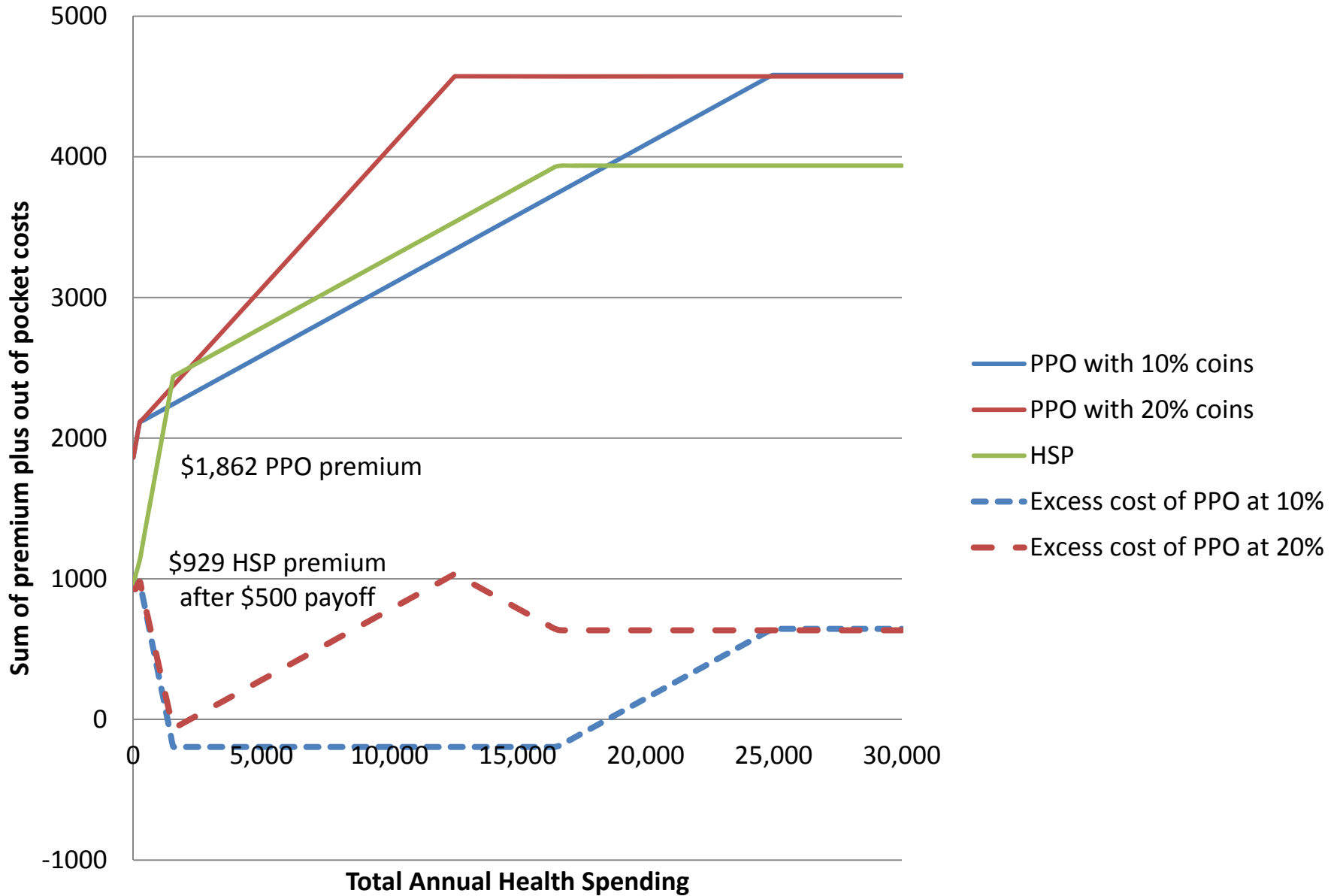
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**Plot of FAMILY (two adults plus child) plans for PPO option for two coinsurance rates, (ignoring PPO \$30 visit copays, health spending divided between all members equally)**



Plot of **SINGLE** plans for PPO and HSP options for two coinsurance rates



# Preceding Charts Ignore

	Attractiveness of HSP
• PPO \$30 visit copays	+
• Pharmacy costs in PPO have separate stoploss	+++++
• BMC-only option is free in PPO	0 or ----
• BU FSA subsidy for income < \$100k	0 or --
• Tax benefits of both FSA and HSA	+++
• Net effect of these is to make the HSP much more attractive for most people	



# PPO vs HSP Decision Tree

- Are you or your spouse are on Medicare Part A or Social Security?
  - Yes => choose PPO (since not allowed to have an HSA)
- Do you work at BMC or plan to get > 50% of your care there?
  - Yes => choose PPO
- Is you salary > \$100k?
  - Yes, choose HSP
- Is your salary <\$70k AND ((your expected total medical costs are between \$1,300 and \$18,500) AND (Pharmacy OOP costs less than \$500) OR (you are buying single coverage)
  - It is possible PPO is superior but it is still riskier
- None of the above?
  - Choose HSP

# BCBS Higher Cost In-Network Hospitals

*(Complete list from July 10, 2015)*

Baystate Medical Center	Springfield	MA
Boston Children's Hospital	Boston	MA
Brigham and Women's Hospital	Boston	MA
Cape Cod Hospital	Hyannis	MA
Farber Cancer Institute	Boston	MA
Fairview Hospital	Great Barrington	MA
Massachusetts General Hospital	Boston	MA
North Shore Medical Center - Salem Campus	Salem	MA
North Shore Medical Center - Union Campus	Lynn	MA
South Shore Hospital	South Weymouth	MA
Sturdy Memorial Hospital	Attleboro	MA
UMass Memorial Medical Center - Memorial campus	Worcester	MA
UMass Memorial Medical Center - University campus	Worcester	MA

Source: <http://www.bu.edu/benefitstaskforce/files/2015/03/Blue-Cross-Blue-Shield-List-of-High-Cost-and-Low-Cost-Providers.pdf>

# Note to lower-income BU workers

- HSP does not require that you increase your savings, but provides an easy way to do so.
- New premiums are significantly lower than existing health plan premiums
- These lower premiums provide an easy means of saving for the HAS: commit your reduced premiums to your HSA.
- Above graphs do NOT reflect any tax savings from the FSA or HSA, so it is still optimal to choose the HSP for most people even if you do not pay taxes or put any extra money into the HSA. (BU will still contribute \$500 (ind)/ \$1000 (fam) to it if you set one up with \$12/year.)
- BMC affiliated providers are attractive if you really want to save on health care costs since the coinsurance is free. If your drug costs are low, the PPO can be the best choice.

# ACA Cadillac Tax Provisions

- Planned for 2018, but could be cancelled.
- The tax (on employers) is 40% of the cost of health coverage that **exceeds** predetermined threshold amounts.
- Cost of coverage includes the total contributions paid by both the employer and employees, but not cost-sharing amounts such as deductibles, coinsurance and copays.
- The thresholds for high-cost plans are currently \$10,200 for individual coverage, and \$27,500 for family coverage.
- BU (employer+employee) premiums are close to these limits: PPO is \$7,446 (ind.)\$21,780 (fam.) before FSA/HAS contributions.
- BU is creating these plans in anticipation of being near these limits.

# To make your health plan choice

- Go to BUWorks <https://ppo.buw.bu.edu>
- Enter your BU login ID and password.
- Go to **Enrollments**
- Follow sequence of 8 screens
- Under **Health Plan** it tells you your current plan (which will be discontinued) and lists four options. For me, all of the new plan premiums are lower than the Network Blue being discontinued.
- You need to specify which dependents you are covering.
- In **Savings Plan** tab, you can choose how much to put into your HSA for the year. I chose \$6750 per year since I am over 55.
- *The \$350,000 coverage for personal and family accident insurance at \$7 per month for my age group is also a good buy.*
- You can change your HSA contribution rate at any time in the year, just not your plan choice. You cannot change your FSA contribution.
- Be sure to hit **Save** before exiting.
- You should get an email confirming all of your choices.

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