Consumer-directed health care (CDHC) is gaining favor with employers as a cost-effective way to encourage employees to manage their own health and health care expenses. Since it’s been shown that healthier employees are more productive—31 percent of sicker workers had six or more days of lowered productivity yearly versus only 16 percent for healthier employees—wellness programs are a vital part of CDHC. In addition, engaging employees in workplace wellness programs as a component of CDHC can reduce health costs as much as 27 percent. Employers can use CDHC to improve worker health and lower company health care expenses.

CDHC is an approach to health care coverage that enables employers to save money on premiums—and encourages consumers to be more engaged in their health care decisions. CDHC plans typically combine health insurance with a deductible and some type of spending account to offset employees’ out-of-pocket costs.

These plans offer consumers a way to budget for medical expenses, while giving them greater control over how their health care dollars are spent. By bolstering CDHC plans with incentives, wellness programs, and decision-support tools, consumers are encouraged to take better care of their health and become better informed about their treatment options.

That’s why nearly 90 percent of employers with at least 50 employees have implemented some sort of health promotion plan to improve health and productivity.

SPENDING ACCOUNTS DEFINED
Two products are available to engage consumers in cost sharing:

- **Health reimbursement arrangement (HRA)**—An HRA is an employer-funded account that reimburses employees for qualified health care expenses. It is typically combined with a high deductible health plan. Unused funds in an HRA may be carried over from year to year, subject to limits set by the employer. If an employee leaves, the employer retains ownership of the account.

- **Health savings account (HSA)**—An HSA is a tax-exempt trust or custodial account created to pay for the qualified health care expenses of the account holder. Both employers and employees can contribute to HSA funds, and the accounts are portable from company to company, meaning the account is employee owned.
Growth of financial accounts
According to some projections, 4.9 million people were enrolled in account-based CDHC plans as of January 1, 2006. Other estimates see CDHC plan enrollment approaching 7 million, with HRA enrollment alone approaching 3 million. From August 2004 to January 2006, the number of Americans using HSAs is cited as having increased from 600,000 to 2 million, but some estimates put the figure closer to 6 million.

CDHC combats skyrocketing health care costs
The popularity of CDHC stems in part from rising health care costs. In 2007, employer health insurance premiums increased by 6.1 percent—two times the rate of inflation. The annual premium for an employer health plan covering a family of four averaged nearly $12,100; the annual premium covering an individual employee averaged $3,695. Many employers increased deductibles and copayments for medical services and prescription drugs instead of raising premiums, thereby increasing costs for those who use health benefits most.

More and more, employers are focusing their efforts on controlling indirect medical costs, i.e., the health conditions that are responsible for a rise in presenteeism and absenteeism. Each year employees lose an average of more than 10 days of work due to 10 common chronic conditions. It’s easy to see why employers are implementing health and productivity management through preventive care and wellness programs.

Controlling rising health care costs
The cost of health care coverage is straining the resources of companies of all sizes. Reasons include:

• The U.S. population is aging, and “baby boomers” and seniors increasingly need more medical care, especially for chronic conditions such as diabetes and heart disease.
• Technology and prescription drugs command higher prices.
• The shortage of key health care professionals, such as nurses and pharmacists, has increased personnel costs.

Managing costs by improving health and productivity
Chronic conditions significantly reduce employee productivity and account for approximately 75 percent of annual

Profile of consumers who use CDHC

<table>
<thead>
<tr>
<th>Value consciousness</th>
<th>Cost control</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 50 percent are more likely to ask about cost.</td>
<td>Over 20 percent are more likely to follow treatment regimens for chronic conditions.</td>
</tr>
<tr>
<td>About 33 percent are more likely to identify treatment alternatives themselves.</td>
<td>They are twice as likely to inquire about drug costs.</td>
</tr>
<tr>
<td>They are three times more likely to choose less expensive treatment.</td>
<td></td>
</tr>
</tbody>
</table>

Wellness/prevention

• About 25 percent are more likely to engage in healthy behaviors.
• Over 20 percent are more likely to say they would participate in company-sponsored wellness programs.
• Over 30 percent are more likely to get an annual checkup.

Cost control

• Over 20 percent are more likely to follow treatment regimens for chronic conditions.
• They are twice as likely to inquire about drug costs.
Preventive care, a key part of CDHC, is becoming more popular because it can prevent small health problems from becoming big ones that lead to productivity losses.

The Kaiser Permanente CDHC product suite effective, affordable solutions

Founded on the principles of preventive care and consumer engagement, Kaiser Permanente has always encouraged members to take an active role in improving their own health. By emphasizing prevention, wellness, online tools, and care management programs within a system of integrated care, we encourage members to actively participate in their health care—because health care has to be more than just illness care.

The Kaiser Permanente CDHC suite of products provides a way for employers to manage costs and for consumers to manage their health. The CDHC suite includes benefit plans, financial products, and consumer-engagement tools supported by an integrated care delivery system. We offer a strong foundation of consumer engagement in the form of prevention, wellness, and disease management. For members using CDHC products, this means access to an abundance of resources to help them improve their health.

NEW PRODUCTS FOR A DIFFERENT KIND OF HEALTH CARE

Kaiser Permanente CDHC financial products

The Kaiser Permanente CDHC suite offers access to our integrated care delivery system through:

- Kaiser Permanente HRA plans
- Kaiser Permanente HSA-compatible plans

These Kaiser Permanente CDHC products enhance the ability of our employers to customize their health care coverage because they can be paired with other financial products that let members manage out-of-pocket expenses.

As of publication, HSAs with qualifying deductible plans are already available from Kaiser Permanente in California, Colorado, Georgia, the Mid-Atlantic states (Maryland, Virginia, and Washington, DC), Oregon, Washington, and Ohio. HRAs are available in California and are expected to be available in other regions soon.

Kaiser Permanente HRA plans

HRA plans pair an HRA with several deductible HMO plans. The plans provide access to our broad range of primary care, specialty care, and hospital services. HRA funds can be used to cover copayments, coinsurance, and deductibles under the health plan.

Kaiser Permanente HSA-compatible plans

HSA-compatible health plans provide an incentive for employees to save for health care costs and give them the ability to manage health care dollars in a similar way as a 401(k) retirement account does. The funds in an HSA may be used to pay for all or part of the deductible, copayments, coinsurance, and other qualified medical expenses. HSA owners can also benefit from wellness programs and preventive care services.
Debit cards—a convenient way to pay for health care
Debit cards give account holders access to their account funds earmarked for qualified health care expenses. Using the card allows an employee to transmit funds directly from their account, which can eliminate the need to pay expenses out of pocket and submit receipts for reimbursement.

Managing health care costs and health with the right information
The following tools give consumers information on services, cost of treatment, and managing their financial accounts, free of charge. With this information, they can choose a plan that suits their needs.

- **Total health assessment**: Members fill out this online questionnaire and are evaluated on nine different health-related behaviors, such as physical activity, stress, weight, nutrition, and smoking. An individualized response

### ELEMENTS OF INTEGRATED CARE

<table>
<thead>
<tr>
<th>Evidence-based care</th>
<th>Doing what works, avoiding what doesn’t work.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordinated care</td>
<td>Across departments, facilities, and providers.</td>
</tr>
<tr>
<td>Shared information</td>
<td>Comprehensive patient records using advanced technology.</td>
</tr>
<tr>
<td>Avoiding unnecessary hospitalizations</td>
<td>Preventive services and nationally recognized disease management programs.</td>
</tr>
<tr>
<td>Doing what works</td>
<td>Integration of hospitals, laboratories, pharmacies, and health plan creates a proactive environment with the goal of providing members with high-quality care.</td>
</tr>
</tbody>
</table>

### HRA PLANS

<table>
<thead>
<tr>
<th>Expense</th>
<th>Cost to member*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual deductible</td>
<td>Individual—$1,000 to $2,500&lt;br&gt;Family—$2,000 to $5,000</td>
</tr>
<tr>
<td>Employer contribution levels</td>
<td>40%, 50%, 60%, or 80%† of deductible</td>
</tr>
<tr>
<td>Annual out-of-pocket maximum</td>
<td>Individual—$2,000 to $5,000&lt;br&gt;Family—$4,000 to $10,000</td>
</tr>
<tr>
<td>Coinsurance (percentage paid by member)</td>
<td>Varies by service—ranges from 10% to 40%</td>
</tr>
<tr>
<td>Copayment</td>
<td>Varies by service—ranges from $5 to $100</td>
</tr>
<tr>
<td>Preventive care (adult and well child) and prescription drugs</td>
<td>Not subject to the deductible, requires copayment only</td>
</tr>
<tr>
<td>Immunizations, health classes, hospice care, and home health care</td>
<td>No charge</td>
</tr>
</tbody>
</table>

* Costs vary by region. California costs are shown for general information purposes only.
† 80 percent not available for small business groups.
‡ Some health classes require a fee.
§ Visit limits may apply for free home health care.
is sent to members along with an action plan for any recommended lifestyle changes.

- **Health Plan Advisor:** Helps consumers understand CDHC plans by providing a description of each type of plan, key characteristics, associated benefits, and differences between each plan. Consumers can compare the different types of plans that Kaiser Permanente offers to identify the one that best suits their needs.

- **Kaiser Permanente Sample Fee List:** A list of estimated charges for the most frequently used medical services and drugs. Actual charges are shown, instead of a price range or market average.

- **Treatment Cost Estimator:** Cost estimates based on an industry average of treatment charges collected from community providers. Provides consumers with transparency that helps them better understand the cost of health care services outside of Kaiser Permanente.

- **Third-Party Financial Management Tool:** Many financial institutions provide members with online access to their HRA or HSA plan account information, including past transactions and account balances. This feature is designed to help consumers better manage their health finances.

### HSA PLANS

<table>
<thead>
<tr>
<th>Expense</th>
<th>Cost to member*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual deductible</td>
<td>Individual—$1,100</td>
</tr>
<tr>
<td></td>
<td>Family—$2,200</td>
</tr>
<tr>
<td>Employer/employee contribution levels</td>
<td>Lesser of deductible or:</td>
</tr>
<tr>
<td></td>
<td>Individual—$2,850</td>
</tr>
<tr>
<td></td>
<td>Family—$5,650</td>
</tr>
<tr>
<td>Annual out-of-pocket maximum</td>
<td>Individual—$5,500</td>
</tr>
<tr>
<td></td>
<td>Family—$11,000</td>
</tr>
<tr>
<td>Coinsurance (percentage paid by member)</td>
<td>30% (select plans only)</td>
</tr>
<tr>
<td>Copayment</td>
<td>Varies by service—ranges from $5 to $100</td>
</tr>
<tr>
<td>Preventive care (adult and well child)</td>
<td>Not subject to the deductible</td>
</tr>
</tbody>
</table>

* Costs vary by region. California costs are shown for general information purposes only.

### WHAT’S IN IT FOR ME?

**Incentives to lead a healthier life**

- **Cash rewards:** In California, members with an HRA receive $50 for completing their total health assessment and opening a personal health guide, which is offered through HealthMedia, Inc. The Exercise Reward Program offered through ChooseHealthy, a subsidiary of American Specialty Health, Inc. (ASH), offers members $150 for completion of 90 visits to a fitness center within a plan year.

- **Free online health management programs:**
  - Personalized healthy lifestyle programs for weight loss, stress reduction, nutrition improvement, smoking cessation, and more.
  - Online health and drug encyclopedias and hard copies of health-related publications in English and Spanish.
VALUE-ADDED SERVICES MAKE MEMBERS HEALTHIER AND MORE PRODUCTIVE

Getting informed about how to manage a healthy life is one thing; putting that information to use is another. When it comes to having a healthy lifestyle, everyone can use a little help. That’s why Kaiser Permanente CDHC financial products are complemented by a host of consumer engagement and support tools. Wellness and exercise programs, health assessments, health classes, and online tools are available to members. Many classes and services are free to members, while a few are discounted or offered with financial incentives. No physician referral is necessary for these value-added health and productivity enhancing services.

HealthMedia programs—free, personalized online tools

Online and individualized, these programs can be used at no charge by members who are healthy to help maintain their good health, and by members who have chronic conditions, to help improve their health.

* HealthMedia® Succeed™ offers a total health assessment that gives members an in-depth look at the way everyday behaviors affect their health. Nine lifestyle behaviors are assessed—weight management, nutrition, physical activity, tobacco use, stress and well-being, alcohol use, skin protection, and injury prevention. Assessment results are used to create each member’s one-of-a-kind health improvement plan.

* HealthMedia® Care™ for Pain is designed to advise and support members in managing a chronic pain condition. The program includes information about treatment, advice on maintaining a medication routine, tips for communicating with health care providers, and suggested activities for pain and stress relief.

* HealthMedia® Care™ for Your Health helps members become “experts” at managing chronic health issues by creating a personal plan. Issues covered include managing common symptoms, dealing with medication side effects, coping with daily challenges, tips for getting a good night’s sleep, and learning how to get the answers you need from doctors.

WELLNESS PROGRAMS DELIVER IMPROVED HEALTH AND PRODUCTIVITY RESULTS FOR KAISER PERMANENTE MEMBERS*

<table>
<thead>
<tr>
<th>Program</th>
<th>Approximate participation</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td>HealthMedia® Balance™ weight management</td>
<td>98,008</td>
<td>56% lost weight</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$540 in projected yearly productivity improvement cost savings per participant</td>
</tr>
<tr>
<td>HealthMedia® Nourish™ better nutrition</td>
<td>36,513</td>
<td>41% improved nutrition habits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>projected yearly productivity improvement cost savings not available in this category</td>
</tr>
<tr>
<td>HealthMedia® Relax™ stress management</td>
<td>21,536</td>
<td>56% decreased stress</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$415 in projected yearly productivity improvement cost savings per participant</td>
</tr>
<tr>
<td>HealthMedia® Breathe™ smoking cessation</td>
<td>13,775</td>
<td>56% stopped smoking</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$1,760 in projected yearly productivity improvement cost savings per participant</td>
</tr>
<tr>
<td>HealthMedia® Care™ for Your Health chronic condition management</td>
<td>3,373</td>
<td>76% managed health better</td>
</tr>
<tr>
<td></td>
<td></td>
<td>$4,735 in projected yearly productivity improvement cost savings per participant</td>
</tr>
</tbody>
</table>

* Results based on a survey conducted by HealthMedia, Inc., and on the evaluations submitted by members who participated in the programs.
HEALTH EDUCATION EMPOWERS MEMBERS TO LIVE HEALTHIER, MORE PRODUCTIVE LIVES
Members have a full range of health and wellness resources available to them

My Health Manager at kp.org is an extensive, interactive personal health record. Members can improve their productivity by managing their health online instead of having to take time off work. Features include:

- Free, secure e-mail to doctors’ offices and pharmacists
- Test results posted online
- Summaries of past doctor visits
- Online appointment scheduling and prescription refills
- Ability to act for a family member
- Record of allergies, immunizations, and recommended screenings

Healthy Living classes are available at many Kaiser Permanente medical facilities, often at no charge to members. Classes include Asthma Education for Parents, Freedom from Fat, Diabetes Nutrition, Living Well with Heart Disease, and Weight Management.

• HealthMedia® Care™ for Diabetes is an NCQA-certified program that helps members with diabetes manage their care. Personalized tips encourage members to take their medications, keep doctor appointments, and watch their diets.

For more information on HealthMedia programs, visit kp.org/healthylifestyles today.

10,000 Steps® can help you make strides toward better health

The 10,000 Steps program is a way for employees to manage their weight and exercise more by walking 10,000 steps each day. This program provides online tools to help employees set goals, track daily steps, and monitor progress. Members receive discounted rates on program membership and on the purchase of high-quality pedometers. More information is available at kp.org/10000steps.

Members get healthy savings on fitness clubs—and more

Kaiser Permanente teams with American Specialty Health, Inc. (ASH), to offer employees discounts on services and products. Through ASH’s Web site, healthyroads.com, members can find local specialty service providers such as acupuncturists, chiropractic providers, and massage therapists. They’ll receive a 25 percent discount off regular charges or the maximum fee schedule, whichever is lower. Preferred membership rates at local affiliated fitness clubs are also available.

Weight Watchers®—making the difference in millions of lives

Kaiser Permanente members now receive reduced rates on select Weight Watchers products.

FINDING BALANCE IN HEALTH CARE COSTS—AND IN LIFE

CDHC plans empower employees to become better-informed, savvy health care consumers who share responsibility with their employers for their health care choices. CDHC plans also provide flexible solutions that can lower a company’s premium costs.

The many CDHC tools available to our members can help lower the costs companies and consumers are paying for health care. Integration, from our administrative structure to our care delivery system, supports the use of the CDHC tools and provides a foundation for quality health care at every stage of life. Resources like online tools, discounts, and cash incentives both encourage and support members’ efforts to get healthy—and stay that way.

For more information about our CDHC suite of products or to enroll in one of our health plans, contact your Kaiser Permanente representative.
TOPICS IN HEALTH AND PRODUCTIVITY: CDHC

ENDNOTES


2 American Hospital Association, Healthy People are the Foundation for a Productive America, TrendWatch, Spring 2007, aha.org.


4 Kaiser Permanente does not provide or administer financial products, including HSAs, and does not offer financial, tax, or investment advice. Members are responsible for their own investment decisions.

5 See note 3.


7 See note 6.

8 National Coalition of Health Care, Facts on the Cost of Health Care, nchc.org/facts/cost.shtml.


10 See note 9.


13 Plan deductible and coinsurance do not apply.

14 Members can use their HSA debit card to pay for expenses anywhere Visa® is accepted, not limited to Kaiser Permanente facilities. If a member uses his or her HSA debit card to pay for something other than a qualified medical expense, the expenditure is subject to tax and, for individuals who are not disabled or over 65, a 10 percent tax penalty.

Please note that when Wells Fargo Health Benefit Services pays disbursements, it does not monitor whether they are for qualified medical expenses. It is the member’s responsibility to determine whether expenses qualify for tax-free reimbursement from his/her HSA. For information about your Wells Fargo HSA, please contact Wells Fargo toll free at 1-866-890-8308.

15 10,000 Steps® is a registered trademark of HealthPartners, Inc.

16 These products and services are provided by entities other than Kaiser Permanente. Some Kaiser Permanente benefit plans include coverage for certain of these discounted services. Plan benefits must be used before those discounted services are available. Check your Evidence of Coverage for details. Kaiser Permanente disclaims any liability for these discounted products and services. Should a problem arise, you may take advantage of the Kaiser Permanente grievance process by calling the Member Service Call Center at 1-800-464-4000.

17 Refer to your local Member Services for details on savings at 1-800-777-7902 (Maryland, Virginia, and Washington, DC) or 1-800-634-4579 (Colorado, Ohio, and Hawaii).

18 See note 16.

The tax references in this publication relate to federal income tax only. Consult with your financial or tax advisor for more information about state income tax laws. Information in this publication was accurate at the time of production. However, details may have changed since publication. For the most current information on our plans and services, check with your sales executive or account manager.