KNOW YOUR EMPLOYEE

BENEFITS

Is a CDHP Right for You?

Weigh your costs and benefits

Consumer-driven health plans (CDHPs) are a growing employee benefits trend. If your employer is offering this type of plan, you may be wondering if it is a good option for you.

What Is It?

A CDHP generally pairs a high-deductible health plan (HDHP) with a health savings account (HSA). The deductible is at least $1,350 for single employees and $2,700 for families. With such a plan, you would pay medical expenses out-of-pocket or using your HSA until the deductible is met. The idea is that consumers will be more responsible with their medical care since they are paying directly for it.

The HSA is an account that both you and your employer can contribute to on a monthly basis. Unlike FSAs, the funds in an HSA roll over each year. Some employers offer only the high-deductible plan itself. In that case, you can most likely set up your own HSA through a private bank.

Benefits of a CDHP

There are definite benefits to this type of plan. As a consumer of medical care, you will become more aware of actual medical costs and be able to take responsibility for your medical expenses, avoiding unnecessary procedures and visits.

In addition, HSA funds are deposited tax-free, accumulate tax-free and can be withdrawn tax-free for qualified medical expenses. The money can also be taken with you if you leave the company. Thus, it can be an excellent savings vehicle for future medical expenses or medical care during retirement. Also, though the deductible is high, such plans have lower premiums than traditional plans.

> "There are many considerations in deciding which health plan is right for you – weigh your options carefully."

Decide What's Right for You

If your company is offering both traditional and high-deductible plans, there are many considerations in deciding which is right for you.

Consider your health expectations for the year. Healthy individuals likely will not need to pay much out of pocket, and thus can benefit from the lower premiums of a CDHP while still being protected in case of a catastrophic medical event. However, if you have a chronic condition or plan to have a major surgery or procedure in the next year, it is important to calculate which plan will cost you less in the long run. A CDHP still may be the cheaper option, but doing the math now can save you from paying more later.

How much extra income do you have? With a CDHP, you'll want to contribute monthly to your HSA to ensure that you can offset your out-of-pocket costs. If you have limited funds, you may find yourself in debt if you face an unexpected medical expense.

It's important to verify that your doctors are in the provider network of the plan you choose, as it may be a different network than the plan you use now. Even if you are keeping the same plan, be sure to check if your doctors are still in the network and that your employer did not switch networks.