

self-funding	229	preferred provider organization (PPO)	233	consumer-driven health care	235
deductible	229	point-of-service plan (POS)	233	flexible spending accounts (FSAs)	235
coinsurance	229	carve-out plans	233	health reimbursement accounts (HRAs)	235
out-of-pocket maximum	230	prescription drug plans	234	Medicare Prescription Drug, Improvement and Modernization Act of 2003	236
preexisting condition	231	medical reimbursement plans	234	health savings accounts (HSAs)	236
preadmission certification	231	prescription card program	234	high-deductible health insurance plans	236
second surgical opinions	231	mail order prescription drug program	234		
maximum benefit limits	231	Mental Health Parity Act and Addiction Equity Act of 2008	235		
managed care plans	231				
prepaid medical services	231				
copayments	231				
primary care physicians	232				

★ Discussion Questions

- 10-1. Are employees more likely to favor defined contribution plans over defined benefit plans? How about employers? Explain your answer.
- 10-2. Summarize the controversial issues regarding cash balance plans.
- 10-3. Discuss the basic concept of insurance. How does this concept apply to health care?
- 10-4. Describe the principles of fee-for-service plans and managed care plans. What are the similarities and differences?
- 10-5. Discuss some of the choices an employer may make to help control health care costs.

CASE

A Health Savings Account at Frontline PR

★ *An additional Supplemental Case can be found on MyManagementLab.*

Susan Berry just returned from a national conference on compensation and benefits where she attended a session on health savings accounts (HSAs). Susan is the human resources director at Frontline PR, and the company has been struggling with the cost of health care insurance. After speaking with several experts at the conference, Susan now thinks an HSA might be a viable option for the company.

Frontline PR is a public relations firm located in the Northeast that employs close to 150 people in four different offices. Public relations professionals make up most of the staff, but the company also employs a complete administrative and operations staff. All of Frontline's employees work full-time schedules and are eligible to participate in its health care insurance plan. Frontline currently offers a standard fee-for-services health care insurance option. The plan has a modest deductible of \$300 per year and a 20 percent coinsurance requirement. In addition, the company offers a flexible spending account (FSA) that allows employees to set aside pretax earnings to pay for the deductible, coinsurance, and other medical expenses.

Susan is considering offering a HSA along with a high-deductible health insurance plan instead of the current insurance plan and FSA. At the conference, Susan learned that making such a change could result in significant cost savings for a company. The high-deductible health insurance plan would cost a lot less for a company than the standard fee-for-services plan that Frontline currently offers. While Susan suggests that Frontline make contributions to each employee's HSA, the overall costs for the health care benefit would still be less than its current option. Beyond cost savings on premiums, many believe that consumer-driven health care tends to reduce overall health care costs. Some of the experts Susan spoke to at the conference stated that when employees have a greater say in their health care decisions, they make wiser decisions and do not spend as much on health care.

Susan has discussed the HSA option with Frontline's director of finance, Allison Jones. From the financial perspective, Allison agrees that the option would be a good step to start controlling health care costs. However, as an employee who would use the benefit, Allison isn't so sure that an HSA with a