

OUT OF OUT OF POCKET

Do HSAs and Medicare Mix? Plus, Dental Cards and More

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December 8, 2006

Health savings accounts are growing in prominence as tools consumers can use to save for health-care costs. But once you enroll in Medicare, you're not allowed to contribute to an HSA any more.

That's about to change -- sort of. Starting Jan. 1, there will be a pilot program that lets some people on Medicare open accounts that aren't actually HSAs, but are similar in concept.

This installment of Out of Pocket explains how the new program will work. Also, read answers on dental-discount cards and finding your insurer's drug list. Send questions about your health-care costs to outofpocket@wsj.com¹.

Medicare's new HSA program has piqued Russell Fuhrman's interest. "I have acute interest in learning all I can ... and hope you will start preparing us with as much information as possible," writes Mr. Fuhrman, 64, of Dubuque, Iowa.

Medicare's pilot program creates an option similar to what's available to some consumers in the pre-65 set: an insurance plan with a high deductible, paired with a tax-advantaged financial account where money can be stashed to pay for out-of-pocket medical costs or save for later.

The idea is to create another insurance choice that people can use to help cover health expenses not covered by Medicare. The trade-off is a high deductible on the plan. The pilot comes at a time when employers have been cutting back retiree health benefits, which often help supplement Medicare.

"It's an experiment -- one that we hope will be successful in at least providing all the flexibility that we can," says Leslie Norwalk, acting administrator of the federal Centers for Medicare & Medicaid Services.

In the pilot, one insurer, American Progressive Life & Health Insurance Co. of New York, is offering a private plan through the [Medicare Advantage](#)⁴ program, that has no premium and a \$4,000 deductible. (Enrollees still must pay a premium for Medicare Part B, which covers doctor visits and other outpatient services.)

Once you've satisfied the deductible -- spent \$4000 -- you must pay for 20% of Medicare-covered costs until you've spent another \$800. Then, the plan pays for 100% of all costs approved by Medicare. You can see any doctor in Medicare's network, and preventive care is covered regardless of whether you've met the deductible. Coverage under Medicare's new prescription-drug program isn't included; you can buy a Medicare drug plan separately.

The other part of the deal: Enrollees in American Progressive's plans will be allowed to open a "medical savings account" -- not an HSA -- to which Medicare in January will contribute \$1,558 in New York or \$1,284 in Pennsylvania. (Those are the only two states where this plan is available.) Enrollees won't be able to contribute any of their own money, and they can't combine the account with an existing HSA. But they can spend the money tax-free on qualified medical expenses -- the same general [Internal Revenue Service list](#)⁵ as for HSAs. What they don't spend will roll over to the next year, when Medicare plans to contribute a lump sum again.

"If we get sales, we're going to be excited, but the idea was to get the product out there, introduce it in the market," says Gary Jacobs, senior vice president of corporate development at American Progressive's parent company, Universal American Financial Corp. He noted a short timeframe the company has to market the product: People have until Dec. 31 to enroll. Prospective enrollees can call 866-503-8427.

The plan may be attractive to healthy Medicare beneficiaries who like the idea of no premium and the savings accounts, says Ms. Norwalk of Medicare. The risk of course is that if you do have health problems -- not uncommon for seniors -- you'll be on the hook for several thousand dollars up front.

The plan might also appeal to people who anticipate they'd have very high out-of-pocket costs under the standard Medicare program, since eventually the plan offers 100% coverage, says Ms. Norwalk. However, those people could also consider buying a Medigap plan or a different Medicare Advantage plan -- other options that could fill gaps in Medicare's coverage without a large deductible, says Deane Beebe, a spokeswoman for the Medicare Rights Center, an advocacy group for Medicare beneficiaries.

Insurers had a short timeframe to develop products for this coming year, says Ms. Norwalk. At least 14 insurers have said they intend to come out with offerings in 2008, according to CMS.

Meanwhile, WellPoint Inc. is jumping in with plans in more than 35 states for a different "medical savings account" program within Medicare that was approved by Congress in 1997 but until now hadn't drawn offerings from insurers, according to Medicare. For 2007, Blue Cross of California and UniCare Life & Health Insurance Co., both WellPoint subsidiaries, are offering plans that have high deductibles: \$2,500, \$3,500 or \$4,500, depending on where you live.

The insurance plans pay for 100% of Medicare-covered costs once the deductible has been met, and the savings accounts work the same way as the ones that will be paired with American Progressive's plans. Medicare's contributions to the accounts vary according to plan deductibles, among other things. Prospective enrollees can call 888-211-9813 in California or 888-949-5384 elsewhere in the country.

See [an earlier article](#)⁶ about Medicare pilot program. [This article](#)⁷ explains how HSAs work.

[A follow-up: After this piece was originally posted, a reader sent us a note that he called American Progressive's number and inquired about the plan. "Discussions with several well-meaning but apparently unadvised associates produced a range of responses from 'we don't currently offer plans with any deductibles' to 'we provide Medicare Advantage options, but not in New York' to 'we don't have any plans with accounts' to 'you need to call your local Social Security office,'" he writes. On his fourth try, he writes, he got to an associate who connected the dots and said the company would send out materials on the program immediately.

We called Mr. Jacobs of the company and asked about the reader's experience. After looking into the situation, Mr. Jacobs told us that this column was the first significant publicity for that phone number, which was activated specifically to handle calls for this Medicare product. The company has now alerted its staff and says there won't be further problems.]

Virginia Clay, of Oxford, N.C., sent a question about getting an insurance company's "formulary," or drug list. "I think the patient should have a copy of the formulary when in [the] doctor office," she writes.

That's an attitude that insurers are encouraging. As health-care costs mount, many employers and insurers have been bumping up co-payments and other amounts patients have to pay for drugs. At the same time, they've been [nudging patients to become comfortable](#)⁸ talking with their doctors about costs.

Formularies often put drugs into two or three "tiers," with the lowest co-payments for drugs on the first tier. The Web is where many patients can find out what drugs are covered, and on what tier. Here are some public links to formularies for some major

insurers: [UnitedHealthcare](#)⁹, [Aetna](#)¹⁰, [Cigna](#)¹¹, and [Humana](#)¹². In some cases, you may have to log into your insurer's Web site for specifics on your plan.

Some insurers are making additional online resources available to people who are enrolled in their plans. For instance, Lumenos, a unit of WellPoint, this fall expanded a program that lets its patients enter drug names into a cellphone or other hand-held device with a Web browser, and get back how much the drugs typically cost under Lumenos's plans. The idea is that patients can look up the drugs during doctor visits, the company says.

Formulary information is also available for many plans on [epocrates.com](#)¹³, a site that's oriented to medical professionals. For more information on alternatives to some popular drugs, take a look at [this Consumer Reports site](#)¹⁴.

Michele Wintersteen says her husband has been running up his dental bills. "Can you offer any advice on dental discount cards?" writes Ms. Wintersteen, of Pottstown, Pa. "It doesn't seem like it's worth buying dental insurance ourselves because of the deductibles, co-pays and annual caps that he often exceeds anyway."

It may be tough to come by a generous dental-insurance plan, as this [previous Out of Pocket column](#)¹⁵ explains. There are frequently waiting periods for coverage of more-expensive items, as well as limits -- such as \$1,000 or \$1,500 -- on how much plans will pay each year.

An alternative is a dental-discount card. Just don't confuse it with insurance. You pay for the dental care yourself, but the card gives you access to discounted rates from participating dentists.

For example, an Aetna discount card for an individual costs \$6 a month, plus a \$15 sign-up fee. An adult cleaning costs an average of \$54 with the card in certain cities, compared with an average of \$84 without it, Aetna says. A molar root canal that normally costs an average of \$855, would average \$474 with the discount.

While there are legitimate companies in this market, there have been [concerns](#)¹⁶ in recent years about discount health-care card programs that are fraudulent or exaggerate the savings potential. This [consumer alert](#)¹⁷ from the National Association of Insurance Commissioners offers a number of tips to consumers researching discount cards, many of which offer discounts on a broader set of medical expenses. For instance, companies should state on all their marketing material that "this is not insurance," says the NAIC. To get a feel for whether this service is going to work for you, ask a company to provide you with the names of the dentists in their network, as well as information on the discounts, before you purchase the card, says Evelyn Ireland, executive director of the National Association of Dental Plans. If you know what dentist you plan to see, it's a good idea to call the dentist's office and verify the information.

Since discount cards aren't insurance, in a number of states they aren't regulated by state insurance departments. However, in recent years more states have been stepping up their regulations. You may want to check with your state insurance department to find out whether the companies would be licensed.

Discount plans are listed on Web sites including dentalplans.com¹⁸, ehealthinsurance.com¹⁹ and the [National Association of Dental Plans](http://NationalAssociationofDentalPlans.org)²⁰. It's a good idea to look at more than one site, including the plan's own, since a plan's pricing may vary according to the site that lists it. Ehealthinsurance.com explains [some differences](#)²¹ between dental insurance and discount cards.
