

Harvard Pilgrim sees debit card boosting FSAs

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WELLESLEY, Mass. — Harvard Pilgrim Health Care experts have developed a new plan they hope will allow more participants to take advantage of specialized savings accounts used to pay for uncovered health care expenses.

The program, known as SmartSpend, allows participants in flexible spending accounts to pay for health care-related expenses with a debit card, making it simpler and easier for them to use their account.

FSA plans allow participants to set aside money to cover expenses not covered by health insurance. Participants can contribute to the plans by means of a payroll deduction before taxes. Employers who offer FSAs can save on their federal taxes -- about \$3,825 per year for a small company and \$19,125 per year for a large company.

Despite these advantages, according to Vincent Capozzi, Harvard Pilgrim's senior vice president of sales and marketing, nationally, only 15 to 20 percent of consumers currently use FSAs. But the use of a debit card can increase FSA participation by between 20 percent and 200 percent, he said.

SmartSpend, which began being offered to employers on an optional basis starting on March 1, 2003, can be used for out-of-pocket medical expenses such as office visits and prescription drug co-payments, deductibles and coinsurance, dental and vision services, and acupuncture and chiropractic services.

FSA participants are ordinarily required to submit forms and receipts to get reimbursed but SmartCard makes this easy. The debit card allows participants to pay expenses and get reimbursed automatically. The card uses technology to only accept eligible expenses.

"The technology is there and distinguishes by code, so it knows what to apply," Capozzi said. □