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Health Care

Credit card eases reimbursement pains

By [Michelle Swafford / Staff Writer](#)

Consumer-directed health care is becoming more common as people grapple with escalating costs industrywide.

For those who are healthy and don't see a doctor often, consumer-directed care costs less in monthly premiums. The trade-off is that when those people do need medical care, they have higher deductibles and co-payments.

Flexible-spending accounts are one component of the push toward consumer-directed plans. The accounts enable employees to deduct pre-tax income from their paychecks and use it to pay for health expenses. As consumers pay higher co-payments and premiums and more out-of-pocket expenses, the accounts are gaining in popularity, human resources managers say.

"The big issue (for employers) right now is the cost of medical care," Rick Vaillancourt, president of Southern Nevada Human Resources, said.

One drawback to reimbursement accounts is that employees pay up front twice for the same medical bill. First, they have money deducted from their paychecks each period by a third-party administrator. Then the employees pay the co-payments or required charges at the time of medical service. Their reimbursement checks arrive by mail at a later time -- sometimes as much as a month later.

DataPath Inc., based in Little Rock, Ark., plans to simplify the reimbursement process and eliminate out-of-pocket expenses for employees with a MasterCard that can be used for health care expenses. The card differs from a traditional credit card because it has a longer grace period and is not tied to individual credit.

The card, myResourceCard, would bear the name of each individual employee who participates in the program and would be used similarly to a traditional credit card with a revolving credit line, DataPath spokesman Jason Lee said. Employees can pay for prescriptions, co-payments, doctors' visits and other health-related charges with the card. Employees who have pre-tax deductions for dependent care can also use myResourceCard to pay for dependent-care expenses.

It cannot be used to purchase groceries or other products not related to medical and dependent-care expenses. When the card is swiped through a credit card machine, the card can distinguish merchant categories such as pharmacies, physicians' offices and child-care centers, Lee said.

If an employee tried to use myResourceCard at a tire shop, the charge would be declined, he said.

Because the card recognizes merchant categories, but not individual product codes, cardholders need to submit receipts and documentation to the designated third-party administrator to verify the expenses they incurred, Lee said. Such verification processes are typical under traditional reimbursement plans that issue checks as well.

Each month the card balance can be paid off in two ways. One option is for a third-party administrator to make a payment to the card from the employee's flexible-spending account instead of issuing the employee a check. The other option is for the employee to pay off the balance with personal funds and then the third-party administrator would issue a reimbursement check to the employee. If the card balance is not paid off each month, it carries a variable interest rate -- 11 percent this month.

The cards work on a 25-day billing cycle, meaning that users have 25 days from the billing date to pay off the balance without incurring any finance charges.

In addition to the longer grace period, employers and employees can benefit from Federal Insurance Contributions Act tax savings, Lee said. The cards encourage people to put more money aside for flexible spending and dependent-care accounts, which means there is less taxable income to go toward FICA taxes, he said.

Research done by companies that offer medical debit cards show an average of an additional 50 percent in tax savings, Lee said.

Employers or third-party administrators that process claims for employers can sign up for the program, Lee said.

Vaillancourt was not familiar with myResourceCard, but said such a card could be a valuable benefit to attracting and retaining employees.

"Any time an employer can offer more flexible options in an employee's benefits, it's a positive thing," Vaillancourt said. "It has always been a plus factor."

He said the Las Vegas Valley is a competitive work environment and companies are always looking for additional benefits for their employees.

DataPath began beta testing myResourceCard in October and more than 20 employers will begin using them in January.

Employers pay a one-time set up fee that ranges between \$100 to \$500, depending on the company's size. Each cardholder would pay \$18 per year for the credit card, DataPath's Lee said.

He said employees or employers could cover the annual card fee.

"You're paying for the convenience of the card and the benefits it gives you, such as no out-of-pocket expenses," Lee said.

There is no credit check on each individual cardholder, but employers would have a credit check done on their companies and would have to agree to a security-guarantee agreement with the card's issuing bank, Benefit Bank in Arkansas. The agreement says that if a cardholder does not pay off the balance, the employer is liable for the charges and can then go after the employee, Lee said.

In most situations that shouldn't be a problem because employees will have money being deducted from their paychecks for their flexible spending accounts to cover the incurred medical charges, he said.

Employers can suspend the cards at any time if employees are abusing the card or aren't paying off their balances. Employers can review daily reports that tell how much has been charged to each card.

Personally identifiable information, such as Social Security numbers and what medical services were rendered, cannot be included in the employer reports because of federal

laws, Lee said.

The myResourceCard sounds like a great option to make life easier for employees who spend hours sorting through medical receipts to be reimbursed for health charges incurred through their flexible-spending accounts.

The pre-tax deductions from paychecks offer tax savings, but it always seems to take awhile to recoup the up-front costs. Employers should consider these cards as an additional benefit to their employees and for the tax savings for themselves.

In other health care news:

HCA Inc.-owned Sunrise Hospital announced it will use DRGM Advertising for its advertising needs and Kirvin Doak Communications for its public relations needs. Sister-hospital Southern Hills will use Kirvin Doak Communications for public relations through its grand opening in March.

- The North Las Vegas Chamber of Commerce announced a health plan as its newest member benefit. The Chamber Advantage has partnered with NevadaCare in Las Vegas to offer HMO Easy. The plan is a managed-care plan, but does not have as many restrictions as typical managed care plans. Chamber members must have at least two employees to enroll in the health plan.
- PacifiCare Health Systems Inc. was awarded the Senior Choice Gold Award by HealthMetrix Research Inc. for its Las Vegas Medicare plan, Secure Horizons. The award is based on the company's ability to limit out-of-pocket costs for seniors.

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