

***Engaging consumers as partners
in managing health spending***

NIHP Health Policy Seminar

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April 14, 2008

Consumer-Directed Health Care Initiatives

CDHC has no guarantee of success and is far from a silver bullet solution to the many problems in the health sector

...But some companies are finding it helps contain costs and boosts prevention and wellness



CDHC is many things...

- **A constellation of offerings that give consumers more power and control over health care decisions**
- **New tools include:**
 - HSAs, HRAs
 - New prevention and chronic care management programs
 - Consumer-focused centers such as MinuteClinics and RediClinics
 - More decision-support tools

Three goals:

- **Patient control**: Consumers will have more choices in health care and health insurance arrangements
- **Cost visibility**: They will be more price conscious in shopping for insurance and medical services
- **Savings incentives**: Consumers have more incentives to get the best product, service, and value for their money

The Vision:

- ❖ Engaging consumers as partners in managing health costs and getting the best value for health care dollars

Two recent studies

- CIGNA reports that first year medical costs trended 12% lower for its CDHC plans compared to HMOs and PPOs
- Use of preventive care increased and medication compliance improved
- HealthPartners in Minnesota reports 4.4% lower cost increases for CDHC compared to traditional plans

“CIGNA Choice Fund Experience Study: Summary of Key Findings,” CIGNA, October 2007.
http://cigna.tekgroup.com/images/56/CIGNA_CDHP_Study.pdf

“New Study Shows Lower Costs, Increased Consumer Engagement in Account-Based Health Plans,”
HealthPartners, October 22, 2007. <http://www.healthpartners.com/portal/999.html>

HSA for AFSCM in Manitowoc County, WI

- Employees pay no premiums
- County deposits \$3,000/yr into each HSA, which fully covers the deductible
- Insurance covers all expenses above that
- County will save \$1.1 million in 2008
- Employees save \$685,000

Common themes

Focus on:

- Personal responsibility by recipients
- Incentives for patient participation
- Wellness and prevention services
- Better coordination of care
- Greater focus on disease management
- Data collection and outcomes reports

FSA, HRAs, and HSAs

■ Flexible Spending Accounts

- available since the mid '80s
- “Use it or lose it” flaw

■ Health Reimbursement Arrangements

- Created in 2002

■ Health Savings Accounts

- Available since 2004

Health Reimbursement Arrangements

One option for employers
...and employees

Health Reimbursement Arrangements

HRA

- Enabled by Treasury and IRS guidance in 2002
- Accounts can be funded only by the employer
- Very flexible – no limits on contributions, few dictates on coverage
- Unused balances can be carried forward to pay for health costs at discretion of employers

Companies can give employees control over a portion of their salary

Cash wages →



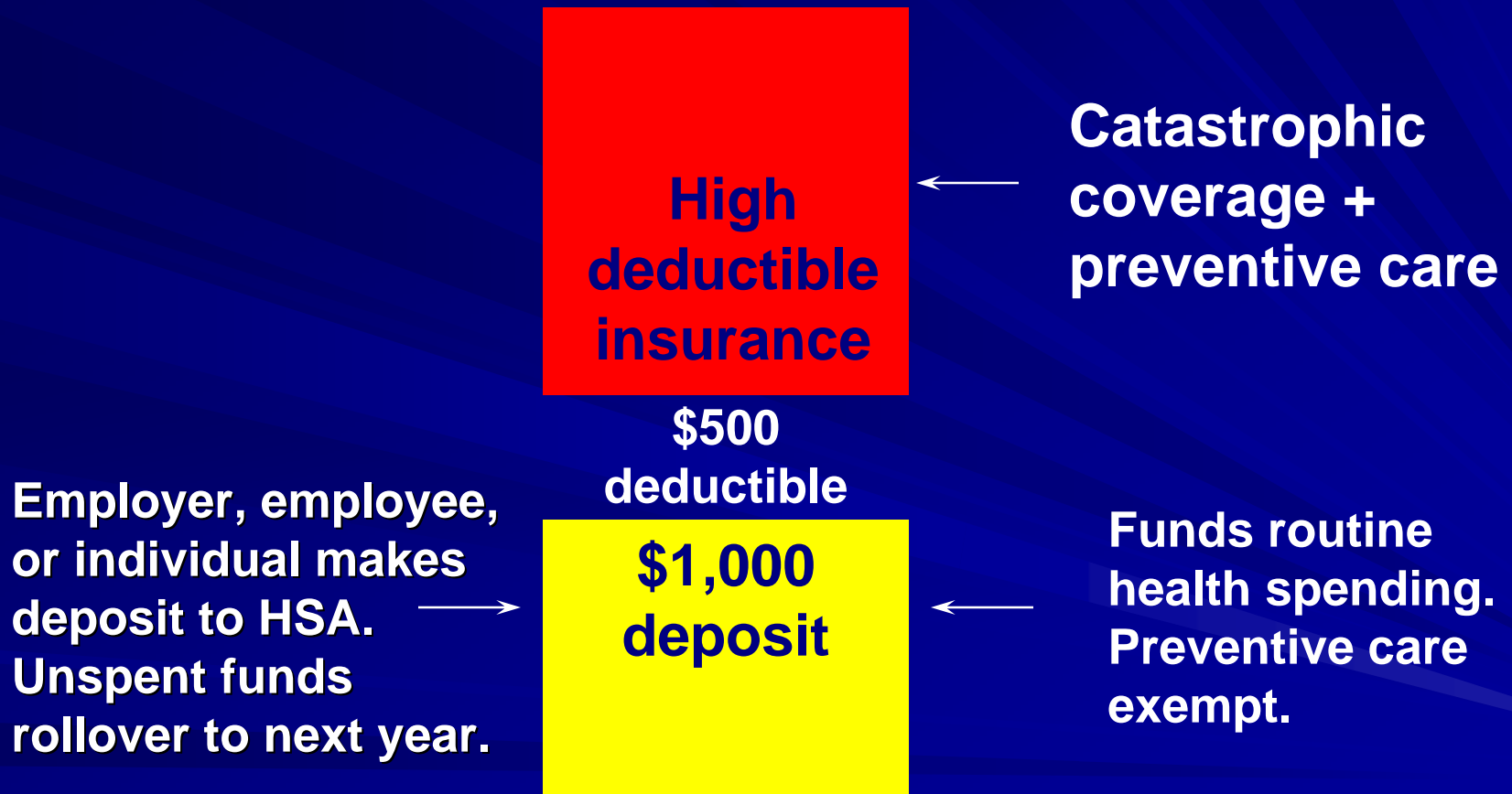
Value of health insurance policy

Health Savings Accounts

HSA

- Created by Congress as part of Medicare Modernization Act
- Effective January 1, 2004
- The newest option in the consumer-choice tool kit

One example of an HSA

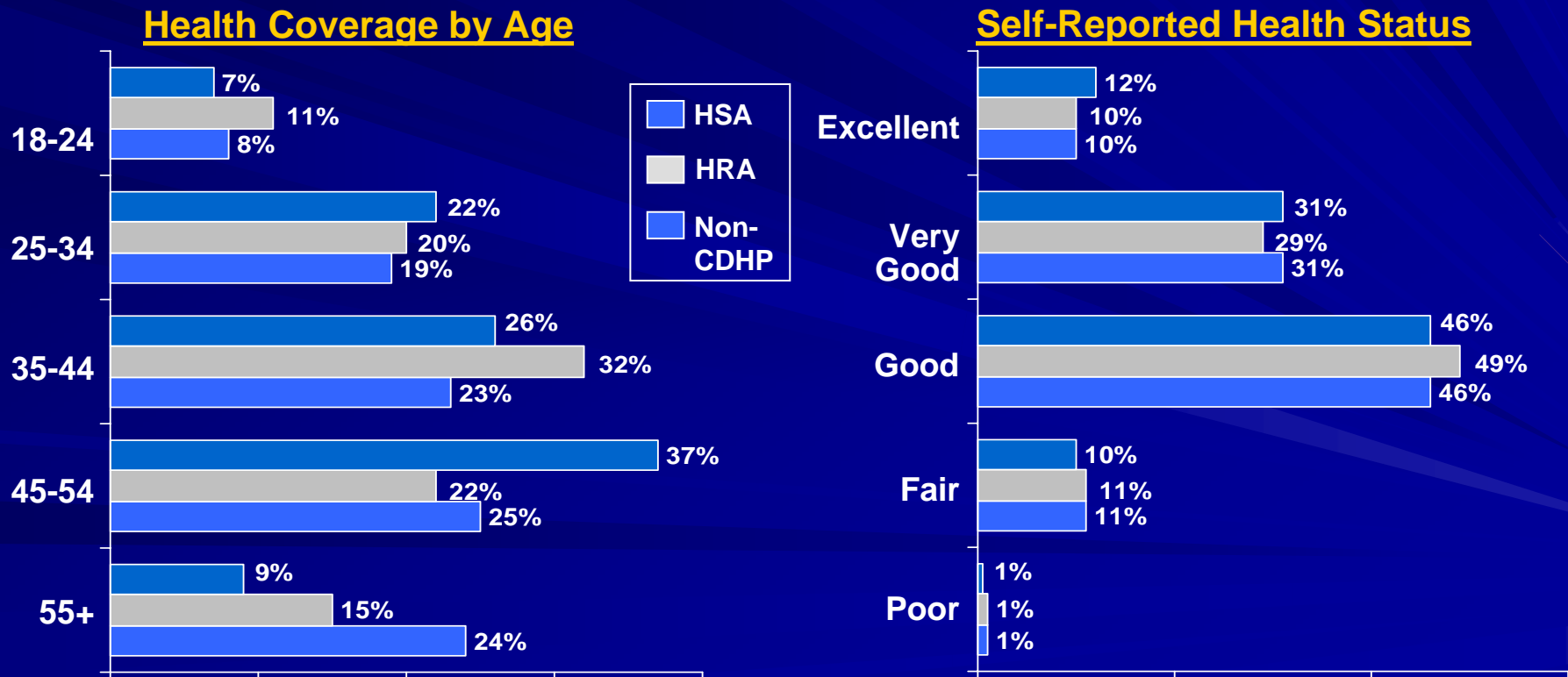


Health Savings Accounts:

- HSAs allow individuals, employers, or employees to deposit tax-free money into a special account to pay for current and future medical expenses
- Savings are owned by the HSA holder and roll over from year to year
- Individuals must have a “high-deductible health plan” to open an HSA

BC/BS Assn. Survey – Age and Health Status

HSA-eligible enrollees are of all ages and are of no different health status than people enrolled in traditional coverage

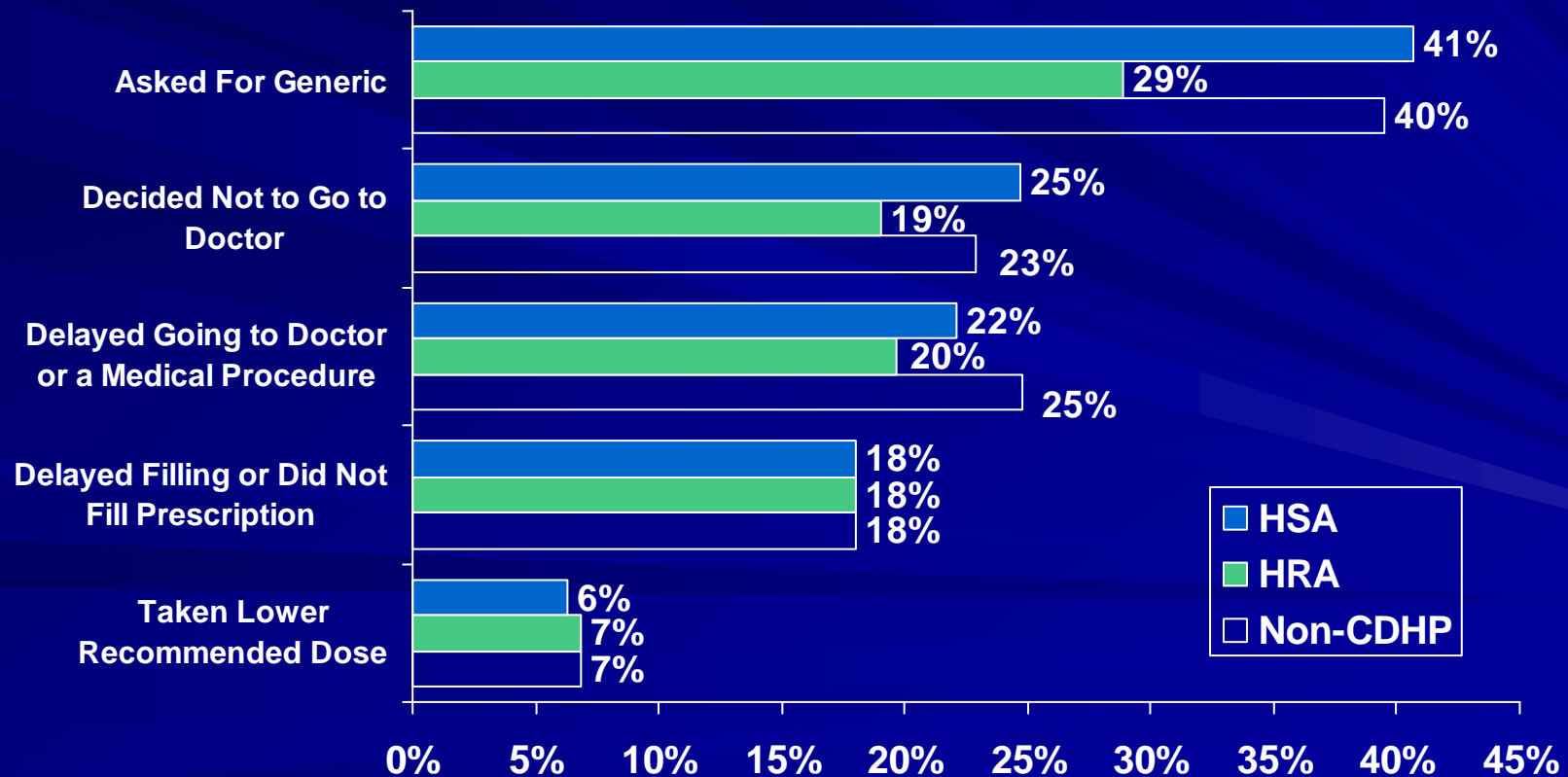


“Blue Cross and Blue Shield Association Survey Shows HSAs are Popular Among a Wide Cross Section of Americans,” BlueCross BlueShield Association, September 15, 2006. <http://www.bcbs.com/news/bcbsa/bcbsa-hsas-popular.html>

Use of Healthcare Services

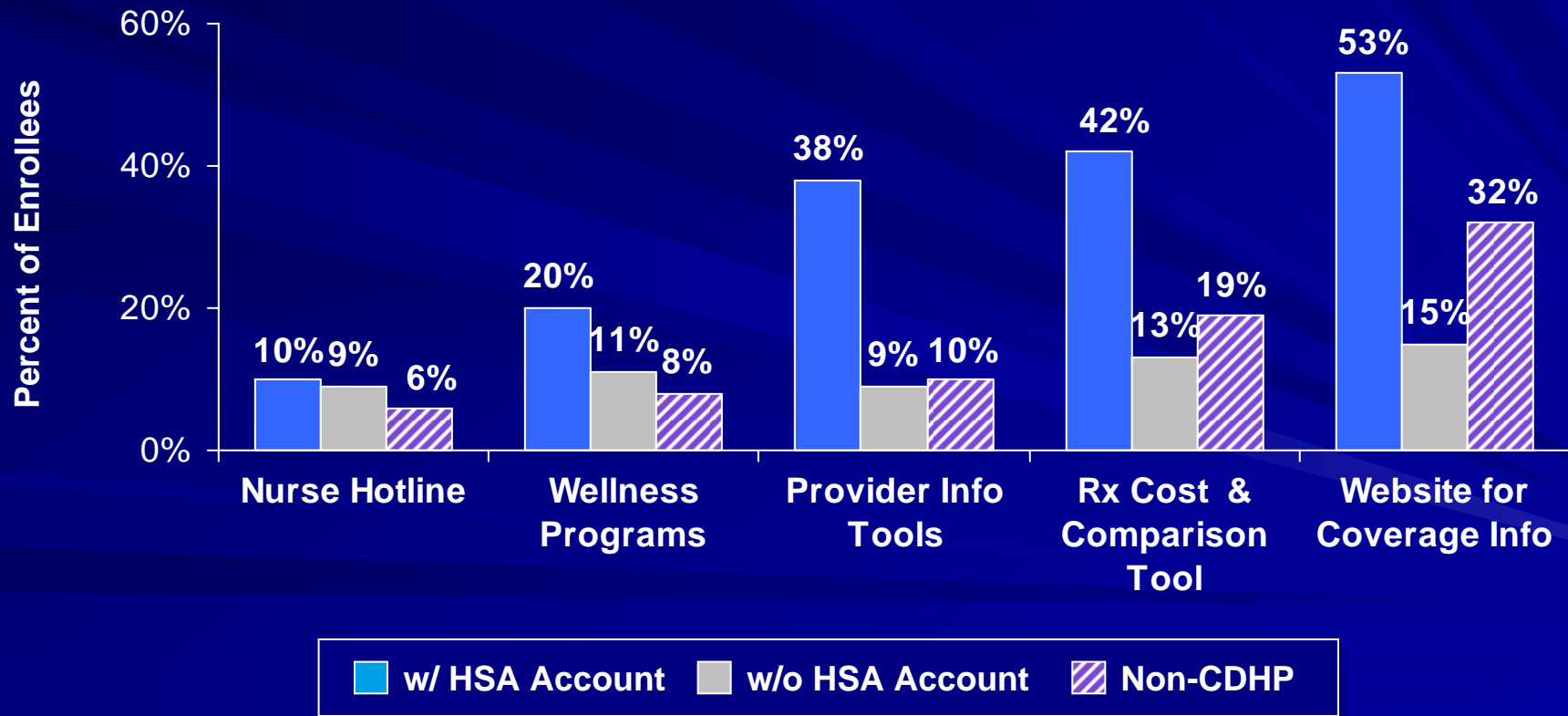
BCBS data shows usage of healthcare services appear similar among CDHP and non-CDHP enrollees

Cost-Driven Behavior Since Starting Healthcare Coverage



Engaging Consumers: Use of Health Information (BCBS)

HSA enrollees show more interest in healthcare quality and cost information



Success in Safeway Stores

- 11% drop in costs for employees who opted into the CDHC plan
- CDHC plan employee pays less than under the traditional plan and still have access to preventive care 100% covered by insurance
- In 2006, about 44% of the company's 30,000 eligible employees were in the plan, and 70% enrolled this year

“At a time when nothing else seems to be working to control health care costs, Safeway's experience is encouraging,” writes the Sacramento Bee. “It's an approach that needs to be explored further and allowed to develop so that we can see if it works over the long term, not smothered before it has a chance to take hold.”

Weintraub, Daniel, “One Company Finds a Way to Control Health Costs, *The Sacramento Bee*, December 21, 2006.

Aetna's study of 1.6 million members

- Premiums have increased only 3% in total since 2002 for companies that moved to Health Reimbursement Arrangements for all of their employees
- Companies that offered HRAs as an *option* had premium increases of only 6.7% over the last three years.
- Use of preventive services is better for those with HSAs
- People with chronic conditions in HSAs and HRAs maintained or improved their level of care

Preventive care use is equal or better

Those with United/Definity CDHC plans received evidence-based & preventive care at the same or better rate as members of traditional plans:

- 16% more likely to have a cervical cancer screening, 10% more likely to receive a cholesterol screening, and 16% more likely to receive a prostate cancer screening.
- 73% of CDH members with diabetes are much more likely to see a doctor for diabetes and 16% are more likely to receive testing to control the disease.
- 22% of CDH members with coronary artery disease are more likely to receive lipid tests and are as likely to visit a physician.

New Incentives

McKinsey & Co. says CDHC plans increase consumer awareness of cost and value. Consumers are:

- 20% more likely to comply with treatments for chronic conditions
- 25% more likely to engage in healthy behaviors
- 30% more likely to get annual physicals
- 50% more likely to seek less expensive care

“If I catch an issue early, I’ll save money in the long run.”

What will happen with CDHC?

- AHIP says there are were 4.5 million people with HSA insurance last year
- More than half could be in some form of CDHC plan by 2010 as employers seek ways to engage workers in managing their health and health costs
- The economic slowdown could actually move more employers toward CDHC plans to save \$\$\$



What will the future hold?

Elections will determine the direction of change. *But...*

- The new president will definitely determine the direction of reform, toward a greater role for government in our health sector or a much more functional private and competitive market for health insurance and health care



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