




**BENEFITS & BEHAVIOR:**

# **SPOTLIGHT ON CONSUMER-DRIVEN HEALTH CARE**

## **Executive Summary**

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The Guardian Life Insurance Company of America, New York, NY

## BENEFITS & BEHAVIOR: Spotlight on Consumer-Driven Health Care

The rising cost of health care continues to be a major concern for working Americans. As employers face increasingly tough choices over whether to absorb higher medical costs or to reduce benefits, many are passing costs on to employees. Consumers are consequently finding it harder to afford health insurance premiums and co-payments and others are experiencing reductions in much needed benefits.

Meanwhile, more employers are providing health benefits through the consumer-driven health care model: a high-deductible health plan (HDHP) with a health savings account (HSA) or health reimbursement arrangement (HRA). This plan design often yields cost savings while allowing employers to continue providing an attractive health benefit. Yet consumers are often under-informed about such plans. Employers have an opportunity to educate workers about consumer-driven health plans in order to increase enrollment and acceptance in today's challenging market.

### Consumer-driven plans gain ground, but traditional plans still popular

Traditional medical plans are still the most popular type of plan, with 60% of consumers reporting that they participate in either a traditional preferred provider organization or a health maintenance organization plan. (Thirty-seven percent belong to a PPO, while another 23% are enrolled in an HMO.)

However, consumer-driven health plan designs are becoming more common. Fully 14% of consumers participate in a high-deductible health plan with an HSA or an HRA. That adoption rate is notable, since HSAs have only been in the marketplace for a little over five years. Individuals between the ages of 35 and 44 are more likely to participate in HDHPs than are their younger or older counterparts, with more than one in five enrolled.

While most people are able to identify the kind of health plan they have, a significant proportion (17%) are not. This finding points to an opportunity for employers to provide more education about health benefits to workers. During a time when many employees have a choice of health plans, whether through their workplace or that of a spouse, such guidance is especially important. Those who understand their options are more likely to choose a health plan that best meets their needs, both from a coverage standpoint and a cost perspective.

### Selecting a plan: It's not all about premium costs

Among consumers who are familiar with HDHPs but not enrolled in one, most (68%) cite a preference for a traditional PPO or HMO plan. Other reasons given for avoiding the plans, however, point to a lack of knowledge among the public. For example, 44% of consumers think such plans have premiums or deductibles that are too expensive, while 29% worry they will incur major medical expenses before they've had a chance to build up HSA balances. Finally, 26% say they don't understand the plans well enough.

Employees cite a variety of influences when choosing a health plan. The largest proportion (30%) say their employer had the greatest sway over their selection, while 26% relied mostly on their own experience with health plans. A sizeable figure (21%) based their decision on price. Friends and family were the top persuaders for only 9% of employees, and the media had little influence (1%).

A strong majority of consumers (85%) want more control over decisions that affect their health care, and 81% think health care costs should be transparent. Nevertheless, 33% of workers feel overwhelmed by too much information already. One in four prefer that employers make health plan decisions on their behalf.

Interestingly, the most important consideration for employees when enrolling in an employer-sponsored health plan is not premium cost. Rather, they are most interested in the cost of co-payments for doctor's office and hospital visits, which 53% of consumers rank as among their top three concerns. The next most prevalent issue is the cost of prescription drugs, which 48% of employees rank among their top three concerns. The third highest concern, mentioned by 41% of consumers as among their top three, is whether or not their doctors participate in the plan's provider network. These findings suggest that employers may wish to tailor health plan designs to help employees with out-of-pocket costs.

The flexibility to go in and out of the provider network is only moderately important to workers, as is the per-paycheck cost of participating in the plan. Just 39% of workers mention either of those factors as among their top three concerns.

### Boosting enrollment in consumer-driven health plans

A majority of consumers (59%) have heard of HSAs by now. Those with annual incomes of over \$35,000 are more likely to have one than are consumers with lower incomes. Those earning in the relatively modest range of \$25,000 to \$35,000 have a high awareness of HSAs - 59% have heard of them - yet just 7% are enrolled in one. In contrast, consumers with incomes of more than \$75,000 are much more likely to know about HSAs (72%), and 22% of them own one.

Yet while many consumers know about HSAs, education is needed to correct widespread misunderstandings that may be hindering enrollment in these plans. For example, 14% of consumers think contributions to an HSA would be taxed and an additional 38% weren't sure. Likewise, 55% are unsure or unaware that withdrawals from an HSA are tax-free if used for qualified medical expenses. Finally, 60% of workers do not realize that they would own the HSAs and that these accounts are fully portable upon leaving employment.

Employer contributions could help boost enrollment in HSAs. Fully 61% of consumers say they'd be more likely to participate if their employer were to help fund the account. Nearly as many (57%) would be more likely to participate if the employer provided additional coverage for serious medical conditions such as cancer or a heart attack. Meanwhile, 47% of workers say they would value having access to wellness programs through the plan. Seven in 10 are likely to participate in wellness activities if offered, and 62% would attend employer-sponsored health and wellness events.

Nevertheless, consumers are still wary of providing personal health information online. Just 18% say they would be "very likely" to complete a health risk assessment online in return for a report on their health risks and recommendations for getting and staying healthy. Another 30% say they would be "somewhat likely" to participate. To engage workers in consumer-driven health care, which depends for its success on workers having a good understanding of their medical needs, employers may want to provide reassurances about the security of personal health information.

### **Conclusion: Workers need education and incentives**

The adoption of high-deductible health plans and health savings accounts is growing. Workers seem to be broadly aware of such plans, yet they may need more help from employers in understanding them.

The open enrollment period provides a good opportunity to educate workers about consumer-driven health plans. Through a strong employee communications plan, employers can counter misconceptions about the cost of these plans and their tax benefits. Educational materials can also emphasize the value of wellness resources that help employees take control over their health care spending.

Because workers are attracted to the idea of employers contributing to HSAs on their behalf, employers may want to consider directing some of their medical plan premium savings toward this purpose, at least during the first few years. They may also want to consider providing critical illness benefits, which would likewise encourage employees to enroll in the plan.

Offering the right combination of education and financial incentives can embolden employees to make the switch from traditional health plans to consumer-driven models that promise cost savings while maintaining robust medical coverage for workers.

### **Methodology**

This report presents the findings of a telephone survey conducted among a national probably sample of 1,001 adults comprising 500 men and 501 women, 18 years of age and older, living in private households in the continental United States.

The interviews were conducted from December 12-15, 2008 by the Opinion Research Corporation located in Princeton, NJ.