

Consumer-Driven Health Care: Myth vs. Reality

By C. William Sharon, CEBS

A number of health benefits surveys indicate that consumer engagement and building a healthier workforce are two trends gaining momentum. With health care costs continuing to significantly outpace inflation and wage increases, an increasing number of employers are adopting strategies that tackle the root causes of rising health care costs, such as chronic illness, unhealthy behaviors, poor quality of care and disengaged consumers.

Recent studies from the National Business Group on Health/Watson Wyatt¹ and Towers Perrin² indicate that almost half of large employers currently have a consumer-driven health care (CDHC) plan and this number is expected to grow to over 50% by 2009.

We are currently in the eighth year of the consumerism movement and, unfortunately, there are still a number of misconceptions about CDHC. One misconception is that the primary motivation behind CDHC is to shift costs to employees through higher deductibles. The findings of the 2007 Aon Consulting/ISCEBS³ survey indicate that the primary motivation for CDHC is to educate health plan members to become better-informed consumers of health care services.

We define *consumerism* to mean a holistic set of techniques designed to transform health plan members into more effective health care consumers. We define *consumer-driven health care* to be consumerism with an account-based plan design, i.e., a health savings account (HSA) or health reimbursement arrangement (HRA). It should be noted that, in 80% of the cases, employ-

ers are contributing money to the HSA or HRA. In many cases, employers are offering CDHC plan options that are comparable in plan design value to the employer's other competing plans such as an HMO or PPO. In addition, almost all CDHC plans include very comprehensive preventive health benefits. Many employers provide 100% coverage for preventive health benefits in accordance with national preventive health care guidelines.

Over the past 30 years, health plan members have been largely insulated from the actual costs of health care services. In a consumer-based health care model, the member is given financial incentives to improve his or her health, and to consider the cost and quality of health care services.

Another misconception is that CDHC is just a plan design change. The

reality is that most CDHC programs have a strong consumer-behavior-change component that incorporates cost and quality education, health and wellness promotion, and chronic condition management. CDHC represents a fundamentally new direction in the design and delivery of group medical coverage. The account-based plan design is just one component of a much larger approach to changing consumer behavior. As such, implementing a CDHC program is not a one-year fix but a long-term process.

Some employers have remained on the sidelines because they are unconvinced that CDHC plans save money or that employees will like the plans. However, there are a number of studies that show that CDHC plans can save

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Don't Miss These Features

- 27th Annual ISCEBS Symposium in Orlando, September 21-24, to feature tracks in health, retirement, HR/compensation and Canadian benefits. See page 4 for details.
- According to ISCEBS/Deloitte's Top Five Total Rewards Priorities Survey, employers focus on employee individuality as impending talent shortage becomes top worry. See pages 7-14 for complete findings.
- Society member Kevin L. Barger, CEBS, from WellPoint, gives an overview of his upcoming Symposium presentation on how physicians, hospitals and insurers are working together to improve the health of patients. See page 3.

Consumer-Driven Health Care

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money. In fact, the NBGH/Watson Wyatt survey found:

- Companies with a CDHC plan had a significantly lower two-year average trend rate than companies without a CDHC plan (5.5% vs. 7.0%).
- Companies with more than 50% CDHC plan enrollment had a trend rate of about half the trend rate of companies without a CDHC plan.

Furthermore, lots of employees like CDHC plans. There are a growing number of companies with a greater-than-50% CDHC plan enrollment. And, CDHC plan reenrollment rates continue to be above 90%.

Given their success, CDHC plan growth is expected to continue in the future. When considering a CDHC program, employers should think about:

- How and when to use account-based plan designs
- How to attain high CDHC plan enrollment

- How to attain high member usage of consumer-engagement Web tools
- How to effectively manage chronic conditions
- How to engage members in wellness programs.

Consumerism must evolve over time at a rate consistent with each employer's appetite for change. A CDHC plan can be offered as an optional plan to an existing HMO and/or PPO plan. Or, all of the current traditional plans can be replaced with one or more CDHC plans. CDHC plans can be self-funded or fully insured.

Employee communication and education are critical to the success of the CDHC program. Standard communication messages are not effective due to the required level of employee involvement. Employee communications must address:

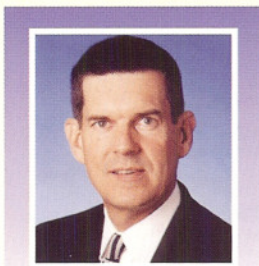
- How to use an account-based CDHC plan
- Why an account-based CDHC plan is a good choice
- How to effectively shop for health care services

- How to use online decision support tools
- How to access health promotion and chronic condition management programs.

While CDHC plans are a new approach, they don't completely abandon some of the managed care principles of the past. A well-designed CDHC program will continue to use discounted provider networks and selected traditional medical management programs. These will be coupled with a variety of consumer-engagement strategies including online consumer decision-support tools, health promotion programs with financial incentives for utilization, chronic condition management programs, and price and quality transparency information.

Sharon offers these thoughts about consumer engagement and building a healthier workforce as a prelude to his presentation at the 27th Annual Symposium. The session will highlight survey findings and employer insights. ■

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1. 13th Annual National Business Group on Health (NBGH)/Watson Wyatt *Employer Survey on Purchasing Value in Health Care*, March 2008.
 2. *Account-Based Health Plans: What Works — and Why*, Towers Perrin, January 2008.
 3. *CDH Plans Continue to Grow in Popularity*, Aon Consulting/ISCEBS Survey, June 2007.



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