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Consumer-Driven Health Care in Practice: Lessons from Early Adopters

FOR more than a decade, employers of all sizes have been finding it increasingly difficult to continue to provide employees with the health care benefits they need and expect, due to double-digit cost increases that have outpaced the rate of inflation. Five years ago, experts began examining the idea that by injecting "consumerism" into the way individuals use their health care benefits and purchase medical goods and services, the American health care system might just be able to save itself. By engaging patients in purchasing health care services — the way consumers make less vital purchases — consumer-driven health care (CDHC) plans will cut costs, improve the quality of healthcare services, and help consumers make informed decisions through financial incentives for choosing wisely.

Early on, CDHC focused simply on attempting to bring more consumer-oriented elements into existing benefits plans (promoting the use of generic rather than brand name prescriptions, 24-hour nurse lines, etc.). Today, we've seen these "tip of the iceberg" approaches evolve into fully-developed benefits plans that combine an account-based element, either a health reimbursement arrangement (HRA) or a health savings account (HSA), with a high-deductible health plan. HRAs and HSAs differ slightly, however both work to engage the consumer in using information to compare quality and prices for medical services, and allow the consumer to make the best use of their available health care dollars.[1]

While adoption has seemed slow, health benefits models that encourage employee consumerism are now starting to become mainstream business practices. In 2001, only about 7,000 individuals were enrolled in these types of programs. The number was expected to exceed six million by 2006. According to a 2006 survey, 50% of employers planned to add an account-based consumer-driven plan to their benefits program at some time in the future, and these numbers are expected to continue to expand rapidly. The same survey indicated that 22% of respondents had a CDHC plan in place already, and 12% would be offering one for the following year. Of the respondents with plans already in place, 66% offered a HRA program while 15% offered a high-deductible PPO-type plan with a health savings account feature.[2]

It is without question that there are many valuable lessons we can learn from CDHC's early adopters. Can CDHC, when implemented appropriately, really make an impact on health care costs? Are benefits advisors, carriers, and employers truly embracing the concept? What successes are the early adopters having, and why?

Early Results: Medical Trend

The goal of CDHC in practice is to make consumers more aware of the true costs of health care, encourage them to make better use of their health care dollars, and ultimately lower medical cost trends. Published results regarding CDHC's success (or failure) in this regard have been minimal, but we are starting to see some promising trends being reported by the various health care companies that provide CDHC plans to employers. Highlights of these results are presented below.

According to a 2006 survey, 50% of employers planned to add an account-based consumer-driven plan to their benefits program at some time in the future, and these numbers are expected to continue to expand rapidly.

Aetna

Aetna, a vendor with significant penetration into the CDHC market, reported results from 49,000 of its Aetna HealthFund® HRA members for the 2004 plan year. The study focused on member behavior change that could be attributed to participation in a

consumer-driven health plan. Their study, as well as the others referenced below, provides support to the assumption that overall medical trend rates are lower for CDHC plans than for traditional health benefits plans (PPOs, HMOs). In fact, six of the seven plan sponsors who participated in Aetna's study experienced changes in

medical costs that lead to lower increases — and in some cases, even cost decreases — as compared to PPO trends for the same period. The report also indicated that Aetna's CDHC participants were generally more aware of the actual costs associated with their medical care.[3]

CIGNA

In November 2006, CIGNA HealthCare released findings from a comprehensive study of its CIGNA Choice Fund enrollees. The Choice Fund packages an HRA or HSA with an underlying PPO or medical plan that has a deductible, coinsurance, and out-of-pocket maximums. The report analyzed results from a survey of 38,211 continuously enrolled pre-CIGNA Choice Fund and post-CIGNA Choice Fund enrollees, and compared them to 231,680 HMO and PPO enrollees from the same employer populations. The study found that while overall medical costs decreased, the use of preventive care services increased and consumers reported increased awareness and engagement in managing their health care.

Sixty-eight percent of UnitedHealth's employer clients funded their employee HSAs; 67% of account holders added their own dollars – demonstrating a clear connection and understanding on the part of employees regarding planning for future health care needs.

Specific highlights from the report are as follows.

- CIGNA Choice Fund medical costs decreased and were 16% lower than costs for traditional plan members. The change was driven primarily by decreases in inpatient and outpatient costs. Medical costs for CIGNA's traditional plan population increased during the same time period.
- Savings were observed across all spending categories indicating that members with higher claims costs changed how they used medical care, even when their plan no longer contained cost-sharing provisions.
- CIGNA Choice Fund members increased their use of preventive care services by 8%, and were also 12% more likely than those enrolled in traditional plans to seek preventive care services.
- Costs associated with chronic care and episodic care members declined almost 3% and over 8% respectively, while the costs associated with those members identified as healthy increased almost 2%. CIGNA reports that the reduction in chronic care costs for its CIGNA Choice Fund members is driven by those members practicing more careful utilization of preference-sensitive services, rather than the avoidance of needed care in an effort to avoid expense.[4]

Humana

Like many large employers, Humana faced large increases in its own health benefits costs in the late 1990s. Facing a projected 19.2% increase in claims costs in 2001, Humana decided to develop and test the consumerism concept within its own population of 4,800 Louisville, Kentucky employees. Along with four other traditional plans, the company offered two account-based plans called CoverageFirst. The CoverageFirst plans included first-dollar funding of $500 per member, followed by deductibles of $1,000 or $2,000.

Humana realized significant savings in just the first year, with an almost 5% claims trend versus the expected 19.2% trend. This claims trend reduction equated to $2.1 million in savings. Humana's claims trend was also down significantly as compared to the marketplace (Louisville). For example, Humana's inpatient admissions were 14.4% lower than the previous year, while the marketplace saw a 2% increase.

In 2002, Humana rolled out the program to all of its employees in locations except for Louisville and then conducted the same type of study. Here, the actual claims trend was over one percent versus the expected trend of 17.1%. This equated to a savings of $5.5 million in year two of the pilot program.[5]

Early Results: Funding and Plan Design

CIGNA

CIGNA reported the following findings regarding the funding of account-based CDHC plans.

- The majority of plan sponsors established individual HRA funds of $500 or more.
- For 78% of the CIGNA Choice Fund population, the gap between the HRA fund and deductible amount was $500 or $750, demonstrating that to be successful, plan sponsors do not need to cost-shift.
- 91% of plan designs had in-network coinsurance of 20% or less.[6]

UnitedHealth Group

UnitedHealth Group's (UHC) Definity Health business conducted a study of 25,000 individuals enrolled in its health savings account plans for the full year of 2005, the first full 12-month period for which data was available. The purpose of the study was to better understand how plan structure and consumer characteristics affect HSA adoption and use.

The UHC study revealed a variety of meaningful information that can help brokers and employers determine the best way to achieve a successful HSA program.

WHO OPENS AN HSA?

- Eighty-four percent of eligible high-deductible health plan (HDHP) enrollees in the UnitedHealth Group study opened a HSA; this compares to industry averages of 60% – 70%.
- Employer size affects enrollment only slightly. 88% of eligible employees for large employers (5,000 +) enrolled, 79% of workers at mid-sized employers (100 – 4,999) enrolled, and 81% at small employers (one – 99) enrolled.
- Families and mature couples are most likely to open an account, while young singles are least likely to open one.
- UHC's study found that HSAs are used by individuals across all income levels. Eighty percent of eligible low-income individuals opened an account; however, whether or not the employer made a contribution did affect account adoption for lower income individuals.

WHO FUNDS THEIR HSA?

- Sixty-eight percent of UnitedHealth's employer clients funded their employee HSAs; 67% of account holders added their own dollars — demonstrating a clear connection and understanding on the part of employees regarding planning for future health care needs.
- Employers who adopted a full-replacement strategy with their HSA program tended to make larger contributions ($1,260 on average) than those providing an HSA program as a plan option ($780 on average).
- Among consumers who opened an account, 67% contributed their own dollars, suggesting that the majority of enrollees understand the plan and consider the future benefit of savings.

SAVING AND SPENDING HSA FUNDS

- Eighty-six percent of enrollees carried an HSA balance from 2005 to 2006, again indicating the benefits of saving for future health care expenses. The average year-end balance was $815, representing 30% of the average deductible and 44% of the average total contribution.
- Individuals are typically spending more out of their accounts when they are enrolled in full-replacement programs than under option-based plans. Additionally, enrollees in full-replacement plans ended 2005 with higher balances on average than those in option-based plans.[7]

Early Results: Consumer Engagement and Behavior Change

Research shows that with information and support, consumers are more likely to engage in behavior that drives down health care costs and leads to better health outcomes. Published data also supports the notion that total health spending is reduced when individual consumers assume more responsibility for their health care expenses.

Information tools are vital to strengthening consumers' ability to navigate the health care system. Typically available online or telephonic information tools are the key to helping CDHC plan members make all kinds of decisions about their health care, from enrolling in a benefits plan to estimating out-of-pocket costs and FSA contributions. In addition, consumers benefit by learning more about their medical conditions and how to manage them, where the best places to seek treatment are, and what they need to know about the prescription medications they take.

A recent Hewitt study found that with information and guidance, consumers are more likely to engage in behaviors that drive down costs and lead to better health outcomes. For example, employees who were aware that they had medical expense estimators available were more likely to set aside money to cover future health care expenses and were more likely to ask for a generic drug option. Several of the large national health care companies have published findings regarding availability of information and consumer behavior change.

Aetna

Aetna's review of its own Aetna HealthFund members — who are supported by a variety of online information tools — found that 83% were more conscious of health care costs and 82% claimed that the plan provided access to the information they needed to make informed decisions. 87% of Aetna's CDHC plan members said the plan gave them a high level of control over their health care spending, while 88% said the plan was easy to use. Aetna's CDHC members were more likely to review their explanation of benefits online, check their claims status, and search for providers using the Web portals provided by the carrier.

Aetna also found that general adult use of preventive care services increased by as much as 23% among its CDHC plan members, compared to 8% for similar traditional plan members.[8]

CIGNA

CIGNA's members reported that their awareness of the costs and quality of health care had increased compared to two years ago, however only about four in 10 surveyed agreed that they are usually aware of the actual costs of the health care services they get or that they have an easy way to find out how much health care services would cost.

Interestingly, the study participants indicated a strong desire for information about quality rather than information about cost to help them determine appropriate doctors or facilities. For example, about 76% of respondents indicated that they would use quality comparison information to select a hospital for an inpatient procedure, but only half indicated they would use cost comparison information to make such a choice.[9]

UnitedHealthcare

UHC cites "activation programs" as key to producing real changes in consumer behavior. They use a personalized messaging program that delivers personally relevant health messages to its members (using multiple formats). Among those who read or listen to their messages, the results are as follows:

- 240% higher rates of mammography,
- 31% increase in use of pill-splitting, and
- 100% increase in use of mail order pharmacy services.[10]

With information and guidance, consumers are more likely to engage in behaviors that drive down costs and lead to better health outcomes.

Humana

Humana's survey of its CoverageFirst enrollees found that the significant savings realized in their pilot program was due to behavior modification among members. The study compared utilization of certain services by individuals in their pilot program to utilization of the same services by the overall marketplace (Louisville, KY).

- Inpatient admissions for Humana's CoverageFirst members were 14.4% lower during the period, while the marketplace saw a 2% increase.
- Utilization of outpatient services remained unchanged, while the marketplace saw about an 8% increase.
- Physician office visits outpaced the marketplace with a 16.9% trend, compared to the market's 13.3% trend. Humana presents this statistic as a result of an increase in utilization of family practice doctors or other primary care physicians for services such as physical exams and well-baby visits.

- Prescription drug spending also outpaced the marketplace with an increase of 5.5% versus the market's almost 2% trend. The Humana study also addressed one of the pervasive concerns regarding CDHC plans: Are consumers foregoing necessary care because of additional cost-sharing presumed in these plans? Humana cites the increase in physician services, prescriptions, and preventive care as evidence that necessary care is being sought. The savings realized from members in the CoverageFirst plans appears to come from a shift in utilization to the appropriate level of service (inpatient to outpatient, outpatient to specialist, and specialist to PCP).[11]

Early Results: Success Strategies

Despite the limited amount of available data, health care companies and other benefits experts have already begun to formulate a variety of solid and (somewhat) proven strategies for success when implementing an account-based CDHC plan.

One analysis, "Consumer Driven Health Care: Lessons From the First Five Years," suggests that to be successful, employers should adopt a broad, all-inclusive approach that incorporates intense research and planning in the areas of plan design, pricing, integration with wellness initiatives, communication, and vendor selection.

A move to CDHC must be presented to employees and discussed early and often. Employers must expect resistance, but remain committed to being truly supportive of the idea of consumer engagement in health care.

PLAN DESIGN

An employer about to embark on offering a CDHC plan to its employees must decide if its goal is to be "evolutionary" or "revolutionary." Introducing a HRA or HSA is more "evolutionary" if financial incentives eventually "push" employees toward the CDHC option. However, a total replacement approach will result in a more true "revolution" as the employer takes a strong stance in support of CDHC.

How should an employer structure its new CDHC plan? The best enrollments seem to occur when the HRA or HSA plan option requires of the employee similar out-of-pocket costs as any traditional plan offering, particularly in the first year. Employers may consider making the CDHC option *more* financially attractive than the traditional plans it offers.

Regardless of the specific tactics employers decide to employ, it is vital that they keep the end goal in mind. As a plan sponsor, what behavior are you trying to shape? For example, excessive cost-shifting to your employees can potentially result in the avoidance of necessary care by your employees. Instead, consider covering preventive services at 100% to motivate employees toward routine care and thus avoid more costly treatments in the future.

PRICING

The proper use of financial incentives can promote enrollment. Higher than average participation can be achieved when an obvious advantage exists in terms of employee contribution amounts for the CDHC plan versus other plan options. In addition, make plan comparison tools available (these are often available through the health plan/vendor). These tools can help employees compare payroll deductions and anticipated out-of-pocket costs from coinsurance and co-payments to determine which option makes the most sense for their health care needs.

INTEGRATION WITH WELLNESS INITIATIVES

Probably the single-most important factor in achieving success with CDHC plans is engaging consumers in the idea that they must become responsible for their own health care, with the support of their employer. CDHC participants must understand the relationship between good health and manageable health plan costs and the ultimate impact on the bottom line for both themselves and their employer.

Remember, participant lifestyle change is at the root of a successful CDHC plan. CDHC participants are 25% more likely to engage in healthy behaviors and 20% more likely to participate in company-sponsored wellness programs. Some employers even go as far as to link participation in a CDHC plan to mandatory participation in wellness programs. There are several wellness programs available for integration into a CDHC plan including health risk appraisals, preventive care guidelines and recommendations, general health education, lifestyle modification modules, and referrals to disease management programs. All of these types of programs are typically made available through the vendor's online health portals.

COMMUNICATION

Employers *must* realize the need for adequate communication in advance of a proposed CDHC plan implementation date. The potential move to CDHC must be presented to employees and discussed early and often. Employers must expect resistance, but remain committed to being truly supportive of the idea of consumer engagement in health care. The new concept should be presented as a mutually beneficial, solid business decision rather than a "takeaway" of health care options. Consider a "kick-off" message from a senior official, demonstrations, mandatory meetings, and Q&A sessions as possible methods for getting the information out.

VENDOR SELECTION

Early in the CDHC movement, the selection of a CDHC vendor was limited to a few small entrepreneurial firms like Definity Health and Lumenos. Now, large national health care companies like Aetna, Humana, and UHC have seen the potential of CDHC (UHC has since acquired Definity Health, and WellPoint has purchased Lumenos), and along with their offerings, there are literally hundreds of vendors offering HRAs, HSAs, or both.

When selecting a vendor for a CDHC plan, carefully review each candidate for its degree of experience, functionality, member tools, and the success of its consumer marketing tools. Plan sponsors should review, at a minimum, a vendor's product offerings, provider networks, administrative systems, member portal content and functionality, wellness resources and incentive management programs, ability of the vendor to evolve as the market progresses,

and the vendor's fit into the plan sponsor's corporate strategic objectives.[12]

Several of the large, national health care companies have also formulated success strategies based on the data they've collected regarding their own CDHC members.

UnitedHealth Group

UHC's study of its own members yielded the following suggestions for adopting a successful CDHC strategy.

- A successful CDHC program will pair the HSA with a complete package that includes communication, enrollment processes, and contribution strategies.
- Full-replacement HSA programs tend to reflect higher levels of employee funding, account use, and savings. This may be because employers that use a full-replacement approach typically engage in intensive employee education and change management processes.
- Employer contributions are the single greatest driver of account adoption among participants, as well as a driver of overall levels of contribution and balance growth.[13]

Humana

Humana's study revealed that engaging employees is vital to the success of any new CDHC program. It recommends that the processes critical to engaging employees include positive enrollment, use of online tools, and using year-round communication initiatives.

- Positive enrollment refers to every employee actively enrolling in a health benefits plan every year, rather than being defaulted to the previous year's plan. This keeps employees engaged in the process and sets the stage for year-round involvement.
- Using online tools, employees should be able to view all of their health plan options, model premium and out-of-pocket costs, and view their previous year's claims costs to help make the best decisions.
- Effective, ongoing communication should be present in a variety of formats including online, mail, and group presentations. Humana found that groups who use all these techniques have an overall almost 10 percent medical trend, while groups that do not employ vigorous communication techniques experience a 21.6% medical trend.

Early adopters of the consumer-driven health plan concept have paved the way for other employers to test the waters. The first comprehensive studies seem to indicate that CDHC might just be the right medicine to cure many of the health care system's ills. With careful consideration of your objectives, examination of data from early adopters, and a clear and comprehensive implementation and communication plan, you too may be able to find a way to control your organization's costs while helping your employees become wiser, more satisfied consumers of health care.

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[1]A Health Savings Account (HSA) is a tax-advantaged fund to which employers, employees, or both can contribute. Unused funds in an HSA can be rolled over for future use and are portable from job to job. A Health Reimbursement Arrangement (HRA) is an employer-funded account. Unused HRA funds can be rolled over at the end of the year for future use but are not portable from job to job. A HRA is usually offered in concert with high-deductible health coverage; an HSA ***must*** be combined with high-deductible health coverage.

[2]Aon Consulting/ICEBS Survey Shows Consumer-Driven Health Plans Becoming More Popular, March 2005, as reported in "Consumer-Driven Health Care: Lessons from the First Five Years," by C. William Sharon, CEBS, and Toni Donahue, *Benefits Quarterly*, Second Quarter, 2006.

[3]Aetna Research Study of 2004 Health Fund Members, as reported in "Consumer-Driven Health Care: Lessons from the First Five Years," by C. William Sharon, CEBS, and Toni Donahue, *Benefits Quarterly*, Second Quarter 2006.

[4]CIGNA Choice Fund Results Analysis, Summary of Key Findings, November 2006.

[5]Health Care Consumers: Passive or Active? A Three-Year Report on Humana's Consumer Solution, June 2005.

[6]CIGNA Choice Fund Results Analysis, Summary of Key Findings, November 2006.

[7]UnitedHealth Group Health Savings Account Adoption, Contribution and Spending Behavior, Data Analysis Executive Summary, January 2007.

[8]Aetna Research Study of 2004 Health Fund Members, as reported in "Consumer-Driven Health Care: Lessons from the First Five Years," by C. William Sharon, CEBS, and Toni Donahue, *Benefits Quarterly*, Second Quarter 2006.

[9]CIGNA Choice Fund Results Analysis, Summary of Key Findings, November 2006.

[10]UnitedHealth Group Reports Consumers are Selecting Account-Based Plans at a Rapid Pace; Membership Tops 1.75 Million, news release, June 8, 2006.

[11]Health Care Consumers: Passive or Active? A Three-Year Report on Humana's Consumer Solution, June 2005.

[12]Sharon, C. William, CEBS, and Toni Donahue. "Consumer-Driven Health Care: Lessons From the First Five Years." *Benefits Quarterly*, Second Quarter 2006.

[13]UnitedHealth Group Health Savings Account Adoption, Contribution and Spending Behavior, Data Analysis Executive Summary, January 2007.