

Consumer-Directed Health Plans

The new trend in managing health care costs for Small Business

We all know the bad news: health care costs are increasing at an alarming rate. Nationally, health care costs have continued to rise at rates greater than inflation. Additionally, federal and state regulations mandate what insurers must incorporate in their plan designs, further increasing costs. In New Jersey and New York, more than forty such mandates



added over 4 percent to the 2006 renewal rate alone

Research by Aon Consulting/ISCEBS suggests that employers are turning increasingly to some form of Consumer-Driven Health Plan (CDHP) to help manage health care costs. Although CDHPs

differ, all encourage employees to buy health care services as though they were spending their own money. As employees become informed consumers, they are more likely to seek the most appropriate and most cost-effective care, creating a healthier workforce in addition to savings for both employee and employer.

Typical Plan Design

Most CDHPs consist of a qualifying high-deductible medical benefits plan coupled with a Health Savings Account (HSA) that can be funded by the employee or with employer contributions. HSAs allow unused account balances to carry over from year to year. An HSA is not a product, but rather a tool designed to help employees make the transition from being traditional health insurance members to becoming informed health care consumers.

Most CDHPs also provide educational and decision-support tools to help employees become better health care purchasers. These may include on-line calculators for HSA and cost-of-care calculations, doctor and hospital comparison tools, and searchable libraries of health care information.

Growing Acceptance

Of the 434 employers surveyed by Aon Consulting/ISCEBS, 28 percent currently offer a CDHP, up from 22

percent in 2005. Of these, 75 percent began offering the plan in 2005 or 2006. Of the employers not offering a CDHP, 30 percent believed the concept was too new to offer now, down from 32 percent in 2005.

Furthermore, 83 percent of survey respondents believed they would be offering a CDHP in five years. And 34 percent (up from 23 percent in 2005) believed CDHPs would eventually cover over half their workforce.

Employers Currently Offering a CDHP

Employers currently offering a CDHP do so both to introduce “consumerism” into the purchasing of health care for long-term change (48 percent) and to control costs (38 percent). Eleven percent also wanted to expand health plan choices for their employees.

Consumer-directed plans differ from other benefits products because they:

- Give members greater control over how they spend their health care dollars
- Build a new awareness among employees of the effect their decisions have on health care costs
- Motivate employees to better manage their care and health-related spending
- Lower company expenses through the cost-sharing benefits of a high-deductible health plan

Employers Not Currently Offering a CDHP

Fully 44 percent of employers currently not offering a CDHP plan to offer one in the future: 12 percent intend to do so in 2007 while 32 percent are undecided on a date. Thirty-four percent anticipate offering an HSA either as an option or as a total replacement for their existing health plans.

Enrollment Statistics

As to be expected since most CDHPs have been rolled out only since 2004, employee enrollment is still relatively low. Just 32 percent of survey respondents reported enrollment of 35 percent or higher.

Most employers (66 percent) attributed the figures to employee fear of high deductible or out-of-pocket expenses, while only 7 percent believed employees preferred a traditional plan design. Another 7 percent thought employees lacked awareness or knowledge about CDHPs.

Furthermore, noted Ken Huber of the HR consulting firm, RSM McGladrey, “Many employees are still intimi-

dated by the idea of engaging in a dialogue about alternative treatments with their physician. The idea of shopping for insurance is foreign to them. They're intimidated by a new financial vehicle."

Employers agreed (80 percent) that employee meetings are the most effective means of communicating information about CDHPs, although newsletters, videos, and on-line web-sites are also utilized. And as Huber observed: "CDHP enrollment tends to be higher with a Web-savvy, sophisticated workforce and an employer that is proactive in planning for the change, so there's enough time to communicate it."

Conclusions

Almost half of respondents in the survey (48 percent) believed CDHP design makes employees better, more efficient consumers of health care, while 19 percent remained undecided. Thirty-nine percent believed CDHPs will be successful in controlling employers' health care costs in five years.

"CDHPs are continuing their strong growth," concluded the Aon Consulting/ISCEBS report. "Employers appear to be endorsing the belief that consumers hold the key to long-term change in health care delivery and cost control."

Explore this exciting new trend in health care self-management by calling Extensis at 888.473.6398. Extensis has partnered with Aetna, the leading provider of HSA benefits, to craft a flexible solution that capitalizes on the growing trend of Consumer Driven Health Care benefits.

2008 Update

New data demonstrate that CDHPs are continuing to grow in popularity among employers, with 37 percent now offering CDHPs, up from 28 percent in 2006 and 22 percent in 2005. Of these, 83 percent began offering the plan in 2005, 2006, or 2007. Of the employers not offering a CDHP, 31 percent believe the concept is still too new to offer now.

According to the 2007 Aon/ ISCEBS survey, employee enrollment continues to grow slowly. This year, 60 percent of employers have more than 10 percent of their employees participating in a CDHP, compared to 53 percent last year. 33 percent of survey respondents reported enrollment of 35 percent or higher. As before, the main reason employees do not enroll in a CDHP is that they fear high out-of-pocket costs (54 percent).

Employers continue to agree (77 percent) that employee meetings are the best way to communicate information about CDHPs to their workforce. They also continue to believe (49 percent) CDHPs make employees better, more efficient consumers of health care. According to the new survey, 85 percent of employers believe they will be offering a CDHP within the next five years.

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