



Consumer-driven health plans top 2006 sea changes

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Ted keeps himself in reasonably good shape with a semi-regular exercise regimen. Although he's hardly a paragon of fitness, he's certainly not a sedentary, high-risk employee guzzling soda all day.

This is a big year for Ted, who recently turned 40. He's taking stock of his life and realizes that things are changing. He's getting sick more often, his weight has crept up by 15 pounds, his hair is receding and he sometimes needs glasses when reading.

Ted has vowed to take better care of himself. And thanks to the consumer-driven health plan his employer offers, he's doing just that.

Every time he now checks in at the fitness center, he dials a telephone number that connects to his health plan. That number records each visit to the gym. If Ted logs 120 visits during the course of a year, the insurer reduces his premium by \$150.

It's a win-win situation.

Ted's employer gets a healthier worker who doesn't call in sick. The insurer keeps its costs in check. And Ted benefits from more regular exercise, plus an incentive to workout created by the \$150 reward.

Welcome to the world of health benefits management, circa 2006.

Twilight time for HMOs

HMOs were the hot new thing in health care years ago because they pledged to control spiraling costs. That has slowed the increase somewhat, but now more is needed.

Blame it, in part, on an aging population. Our litigious society is another significant factor. And the public itself has exacerbated the situation - does everyone really need to go the emergency room for an earache? Remember, about 20 % of a company's employees create 80% of all claims.

Consumer-driven health plans take things a step beyond HMOs by making employees, employers, insurers and even the government partners in keeping health care affordable for all parties. CDHPs do place more of the burden on employees, who must realize that health care is an expense, NOT an entitlement.

Plan providers have ammunition in pushing these plans because consumers get more choices. Want lower premiums? That's doable - in exchange for higher deductibles. Interested in partial premium discounts for a healthier lifestyle? That can be done, assuming you get to the gym regularly. Need subsidized Weight Watchers programs? That benefits more than just the employee.

So far, anecdotal evidence shows interest in consumer-driven health plans is growing. United Benefits Advisors of Indianapolis recently reported that 5.9% of employers offered consumer-driven health plans in 2006, up from 2.6% a year ago. Meantime, 3.4% of employees actually were using the plans, a near-doubling from the 1.9% in 2005.

That's an encouraging start, but is it sustainable? The jury's out on that question. While consumer-driven health plans push responsibility toward employees, their employers must also drive them toward the tools they need to be responsible. It's debatable whether that's happening - or can ever fully happen.

Of course, there's been more to the benefits world in 2006 than just consumer-driven health plans.

HSA's begin to catch fire

Health savings accounts were created in late 2003 as part of a Medicare bill and are designed to help individuals save - on a tax-free basis - for future qualified medical and retiree health care expenses. In 2006, they've caught on, with anecdotal evidence about \$1.5 billion being deposited into HSA's. Meantime, the number of employers offering HSA's has steamed past the one-third mark and is heading toward 40%.

As with other consumer-driven health plans, HSA's put more of the decisionmaking burden on consumers. So, instead of forking over a copay at a doctor's office, HSA's give consumers a pool of money to pay for health care expenses.

Having that financial control puts the burden on the individual to improve their health and reduce or eliminate unwarranted expenses. In other words, savings will come when patients are better informed about the cost and efficacy of health care options and are therefore better equipped to make better decisions.

Meantime, baby steps have occurred in 2006 concerning quality of care and outcome-based transparency in health care, with Aetna - one of the major health care insurers in the industry - pushing this concept, others are surely likely to follow.

Like HSAs and consumer-driven health plans, transparency puts more decision-making power in the hands of the public by enabling them to make informed choices about their care. It also helps providers improve by allowing them to benchmark their performance against others, and it spurs public programs and private insurers alike to reward efficiency and quality.

Still, there are serious problems that need to be addressed in terms of efficiency; health care can never be a free market in the Adam Smith sense. Even when patients are provided quality and price information, they will never be able to use it as effectively as physicians.

Further, health care decisions often are made under stressful or emergency situations, which limit choices and require immediate actions.

Health information technology can solve many of the problems just mentioned. With computer access seemingly available to virtually all consumers, fingertip access to health data could at least partially overcome these pitfalls. But that information, where it exists, remains scattered across databases.

All the ideas mentioned above take steps toward solving America's health care crisis, but challenges lie ahead in 2007 and beyond, not the least of which is the expected 11% or more increase next year in health care costs for midsized companies.

So, who will tackle these challenges? Five parties come to mind.

Employers obviously will play a key role because they literally can't afford to pay more for health insurance. As we've discussed, employees will face many more choices and must be better informed. Once again, health care is an expense, NOT an entitlement. Insurance companies must continue the quest to manage demand; throw brokers into this category as well. Finally, the government must stay involved, authorizing programs such as HSAs which, while not perfect, are clearly a step in the right direction.

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