

► **Consumer-Driven Health Plans**

The Power of Integrating Consumerism and Wellness

by **C. William Sharon, CEBS and Linh Tacker, CEBS**

One aspect in our troubling economy that seems to be flourishing is the growing number of employers implementing consumer-driven health (CDH) plans and wellness programs. This article describes the primary areas of participant behavior that consumerism seeks to change and the fundamental factors a “consumer-focused” health care strategy must include. The authors outline issues employers must address when designing a successful incentive program and its accompanying communications strategy. A case study of a company that has a 70% enrollment rate in its CDH plans shows how an integrated consumerism and wellness strategy can slow the rate of health care cost increases for both the employee and employer.

INTRODUCTION

Employers sponsoring health care plans are expected to continue to face double-digit cost increases throughout 2010. According to a recent health care trend survey conducted by Aon Consulting, costs are expected to increase on average 10.5% next year.¹ Key factors contributing to the rise of health care costs include poor lifestyle choices, the aging population, costly new technology and drugs, and overtreatment.

In today’s economy, employers cannot absorb double-digit increases. Fortunately, employers are recognizing that by combining consumerism and wellness programs they can slow the rate of health care cost increases over a multiple-year time horizon. A growing number of employers are implementing consumer-driven health (CDH) plans and wellness programs. Today, an estimated 16 million people are enrolled in a CDH plan compared to only 7,000 individuals in 2001. More than 70% of employers have implemented a wellness program. The investment in CDH plans and wellness programs continues to increase each year. It’s one aspect of our troubling economy that seems to be flourishing.

Persistent overtreatment is one of the main con-

tributors to rapidly rising health care costs. According to Dr. Elliott S. Fisher, professor of medicine and community and family medicine, Dartmouth Medical School, one-third of U.S. health care spending is wasteful and may even be harmful. To help address the issue of overtreatment, Fisher suggests that provider incentives must change and health care consumers must be better informed. Consumers must learn to navigate the system differently and become smarter patients.

People can choose healthier lifestyles. Staying healthy reduces the demand for health care. According to the Department for Health and Human Services, medical care for persons with chronic disease accounts for 75% of the dollars spent as a nation on medical care. Today’s most serious and expensive health problems are caused, in large part, by poor lifestyle choices: tobacco use, diets high in fat and sugar, inadequate physical activity, and drug and alcohol use.

The health care market operates unlike any other economic market. Because 70-80% of the cost of health care services is paid by someone else (the health plan and employer), the health care market is the only sector in our economy where consumers do not routinely compare price and quality.² One of the

TABLE I**CHANGES IN PARTICIPANT BEHAVIOR REQUIRED BY CONSUMERISM**

Value Purchasing	Improved Health	Chronic Condition Management
Ask price of services	Use preventive benefits	Use disease management programs
Consider alternatives	Complete health assessment	Follow evidence-based guidelines
Research doctor and hospital quality	Reduce weight	Use "premium" doctors
Use generic prescriptions	Stop smoking	Maintain personal health record
Consider urgent care vs. emergency room	Get more physical activity	
Online consultation	Get biometric screenings	
Retail health clinics	Use health coach	

objectives of consumerism is to begin to change this dynamic. CDH plans are designed to make the cost of health care services more transparent to the consumer. They do this by replacing copays with deductibles, coinsurance and accounts, which take the form of either health reimbursement arrangements (HRAs) or health savings accounts (HSAs).

There are certain health care markets, such as dental care, vision care, cosmetic surgery and LASIK eye surgery, where consumers are more responsible for the cost. In these markets, there is more price transparency and more competition. The economic result is much lower increases in prices from year to year (3% to 6% vs. 10% to 11%). The hope is that a similar lessening of annual medical cost increases will occur as CDH plans become a greater share of the health care market.

DEFINING "BROAD-BASED" CONSUMERISM

The terms *consumerism*, *consumer-driven health care* and *consumer engagement* mean different things to different people. These terms are used interchangeably and defined broadly. In the authors' view, *consumerism* means participants assuming more responsibility for their personal health and health care purchasing decisions. Consumerism requires a change in participant behavior in three primary areas (see Table I):

1. Value purchasing
2. Improved health
3. Chronic condition management.

It is important to point out that behavior changes take time to see results. Employers must be willing to commit to the philosophy that people can improve their health and fully invest in the resources to support behavior changes that will drive positive results.

A key finding in a recent survey of 4,001 health care consumers conducted by Deloitte is that consumers are willing to embrace innovations that enhance self-care, convenience, personalization and control of their personal health information.³ According to the study, consumers want holistic care and resources to pursue wellness and healthy living. Consumers access care differently and want information in a variety of ways. Providing information on how to purchase health care, improve one's health and manage current conditions requires ongoing and frequent employee communications and targeted employee messaging. Employers need to engage their health care partners to learn what consumerism capabilities are available and to understand what needs are not being met.

"Consumer-focused" health care is in its infancy. But, the good news is that the consumerism movement is already beginning to change the health care delivery system with new, innovative approaches such as:

- Concierge medicine. Some physicians are providing bundled medical care (including diagnostic tests, physician consultation and patient education) for a flat monthly fee that is negotiated and disclosed to the patient in advance of services being provided.

TABLE II**FACTORS IN A CONSUMER-FOCUSED HEALTH CARE STRATEGY**

Financial Motivation	Health Plan Information	Health Management	Consumer Involvement
Eliminate copays	Pharmacy pricing data	Health assessment	Obtain preventive services
Offer account-based plans	Hospital quality data	Smoking cessation	Consider price and quality
Preferred employee contributions	Targeted messaging	Diabetes management	Improve health
Incentives for completing health assessment	Physician pricing data	Weight management	Avoid overtreatment

- Retail health clinics. Clinics conveniently located in drug stores such as CVS and Walgreens provide low-cost basic health care services with reduced wait times.
- TelaDoc—a telephone-based physician consultation service. There are two million consumers who use this service today.
- Home care. American Physician Housecalls will treat Medicare patients with multiple health problems in their homes.
- Rx comparison information. DestinationRx.com is a pharmacy benefits management company that is partnering with Safeway supermarkets to install drug comparison kiosks in store pharmacies.

These are some examples of consumer-focused services that are designed to provide patients with convenient, alternative treatment options.

DESIGNING A SUCCESSFUL CONSUMER-FOCUSED HEALTH CARE PROGRAM

A well-designed health care strategy integrates data to support the patient in accessing information to help in his or her decision-making process. A consumer-focused health care strategy must include four fundamental factors (see Table II):

1. Financial motivation
2. Health plan information
3. Health management
4. Consumer involvement.

Incentives to promote health behaviors are important factors in the success of increasing consumer engagement.

There are a number of basic issues to address when designing an incentive program:

- Eligibility for incentive program: Will incentives be offered to spouses and other adult dependents, in addition to employees?
- Type of behavior you want to incent:
 - Will incentives apply to wellness programs only, or a combination of wellness and disease management programs?
 - Will incentives be based on participation in an online health assessment, intervention program or a combination?
 - Will rewards be given to employees who are already healthy, or only those who become healthy after they have been identified as moderate or high risk?
 - What will be the method for determining moderate or high risk—e.g., Will it be based on a single risk factor (smoker) or several factors (individual who smokes, doesn't exercise and is overweight)?
 - Is it desirable to reward progress in the right direction (e.g., achieved lower cholesterol but still outside normal range), attainment of certain biometric levels (e.g., cholesterol below 200, BMI less than 25), or both?
- Determine what type and level of incentive is necessary to get the desired behavior change, without unnecessarily eroding return on investment:
 - Most important issue is to determine what actually motivates employees.
 - Common types of incentives include:
 - » Reduced health plan contributions

TABLE III**CONSUMER-FOCUSED COMMUNICATION MESSAGES TO EDUCATE, ENGAGE AND EMPOWER EMPLOYEES**

Educate	Engage	Empower
I understand	I accept	I will
How this is different	I am a buyer of health care and need to make informed decisions.	Take advantage of the programs that will help me make the right decisions
How it affects me	I can improve outcomes.	Take responsibility for my health care and my future
What I need to do		Actively improve the quality of my health care and reduce my health care spending
What's at stake if I do nothing		

- » Other financial (e.g., cash, flexible spending account/HRA/HSA contributions, flex credits)
- » Health incentives (e.g., wellness credits, pedometers, fitness program reimbursement)
- » Gifts (e.g., prizes, lottery drawing, company promotional items, gift certificates)
- » Waived deductible or copays for preventive treatment (e.g., PSA test, mammograms, colonoscopy, Pap smear)
- » Better benefits provided for certain conditions (e.g., diabetes, heart disease) if individual participates in a disease management program.
- Will incentives work better in some locations than others?
- How will the company keep the message going throughout the year?

Most often, employee participation is directly linked to the level of employee incentives. Higher financial incentives drive higher program participation and better consumer engagement results.

Several studies show that engaged employees

- Ask more questions about cost
- Research treatment options
- Maintain compliance with treatment protocols
- Engage in healthier behavior
- Get annual checkups more often.

As stated earlier, improving health care behavior takes time and requires a well-thought-out communications approach.

Employees must understand, accept and be willing to take action (see Table III).

Consumer-focused health care communications should be

- Frequent and consistent
- Clear and concise
- Delivered to employees through multiple media
- Targeted to reach diverse populations of employees.

**CASE STUDY:
MANUFACTURING CORPORATION**

A consumer products manufacturing company with 8,000 employees located in some 100 locations across the country is used as a case study. The company also is an early adopter of CDH (2003). In 2006, after multiple acquisitions with diverse cultures and brands, the company completed a harmonization of its benefits program, consolidating 42 plans to 17.

Today, the company offers three medical plans: two CDH plans (HRA and HSA) and a preferred provider organization (PPO) plan. The company has 70% enrollment in the CDH plans.

The company was able to accomplish such a high CDH plan enrollment through

- Executive support for the CDH initiative, including engagement with local management teams
- "Train the trainer" sessions to teach local human resource leaders how the program works and convert them to "CDH believers"

- On-site employee meetings at every major location
- A mandatory reenrollment process. All employees had to actively enroll during open enrollment.
- Effective multilingual communication materials and presentations (Spanish, Russian and Vietnamese) that helped employees understand and compare the benefits of the CDH plans vs. the PPO plan.

Affordability, for both employees and the company, continues to be an ongoing top priority. The majority of employees are blue-collar manufacturing workers. Like many companies in its industry, keeping employees healthy and productive is key to the company's business.

This company aims to reduce overall medical spend by encouraging healthier behaviors and educating employees about the financial implications of their health care behaviors on the company's bottom line. The company provides financial incentives to encourage employees to complete online health assessments and to not use tobacco products. Over 70% of the employees earn these financial incentives.

The company started its consumer-focused health care strategy in 2001. However, the program has not remained stagnant. It continues to evolve each year based on changes in health care costs, consumer engagement results and employee feedback. Notable accomplishments include:

- CDH plan participation is 70% of covered employees.
- Health assessment participation is 74% of covered employees.
- Medical cost increases for the past three years have been in the low-single digits.
- Minimal plan design changes have been implemented in the past three years.
- Total employee cost sharing (employee contributions and out-of-pocket plan costs) has remained at a consistent percentage over the past three years.
- Generic prescription utilization is 60%.

- The "risk index" of high-cost claimants is declining.
- Preventive care utilization is increasing.

This company is proud of these accomplishments. It has been able to slow the rate of health care cost increases (for both the employee and employer) through an integrated consumerism and wellness strategy. While the company has accomplished much, its leadership realizes there is much more to do to improve the ability of employees to make value-based health care purchasing decisions, improve their health and better manage their chronic conditions. ◀

Endnotes

1. Aon Consulting's Fall 2009 *Health Care Trend Survey*.
2. "Health Care Entrepreneurs: The Changing Nature of Provider," National Center for Policy Analysis. Policy Report #318, December 2008.
3. Deloitte's 2009 *Survey of Health Care Consumers: Key Findings, Strategic Implications*.

► THE AUTHORS

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