



OPEN ENROLLMENT AND CONSUMER ENGAGEMENT

Educating Employees, Reducing Costs

By Pattie Dale Tye

With the growth of consumer-focused health plans, the health-benefits landscape in the United States is undergoing a major change. Although the rewards of moving into this new terrain can be considerable, employers face a double challenge: to not only educate employees on the new benefits, but also to work with employees as they become more engaged with their own health decision-making.

The need for new models of health benefits is becoming increasingly clear. For several years, employers have been faced with double-digit increases in health care costs. While these increases have leveled off over the last couple of years, health care inflation is still two to three times the overall inflation rate. In fact, total U.S. health care expenditures are projected to almost double from \$1.9 trillion in 2005 to \$3.6 trillion in 2014. As a result, many employers are looking for new ways to contain the cost of providing health benefits to employees. But while companies' bottom lines have been hit by these increases, employees generally have been insulated from the true cost of health care for decades.

What is the cost of a visit to the doctor's office? What's the cost of having surgery? Going in, most patients have no idea how much a visit or procedure will cost. Those with insurance may only see a co-payment – perhaps \$15. But what about the actual cost of that care?

When consumers buy cars, they probably do as much research as possible. From gas mileage to airbags, a buyer will probably know the pluses and minuses of different models – and the costs, including the dealer's cost and profit for each model. However, when it comes to health care, consumers often fly blindly, basing treatment decisions on little more than reputation and a few references.

All of that is changing. In 2007, companies succeeding at keeping health care costs in check are often at the forefront of the health care consumerism movement, helping their employees understand that the choices they make can improve their lives and still push down costs.

True consumerism – the backbone of the U.S. economy – is seen in almost all markets, from cell phone carriers to auto insurance. With access to the latest information on the cost, quality and availability of products, consumers can make choices that help drive down costs and improve product and service offerings.

In order to create an environment in which employees are engaged health care consumers, employers, human resource professionals and insurance brokers must take the time to educate employees – whether this means conducting personalized sessions, providing the guidance necessary to make the right choices, or utilizing a service that enables employees to manage their own benefits online or by phone.

Educating Employees

One big issue for employers is that their workers do not fully understand the investment required to provide health benefits. A study conducted in 2005 by MetLife found that 28 percent of those surveyed have the perception that their employer spends less than \$1,000 annually on each employee's health insurance, while half believe that their employer spends less than \$2,000.

In reality, companies spend an average of \$4,260 annually for each employee who requires single coverage and \$12,396 annually for each employee who opts for family coverage, according to a 2006 Towers Perrin Health Care Cost survey. The Towers-Perrin analysis revealed that over the past four years, employee health care costs have risen 56 percent, while employer costs have gone up 63 percent. With proper education about the cost of health benefits, employees are more likely to appreciate the investment employers make in their well being.

Employers, HR professionals and insurance brokers can also help employees understand the factors that contribute to skyrocketing health care costs so that they can make smarter health care decisions and understand why employers struggle to control rising costs. Some of these factors include:

- Inappropriate or unnecessary care, such as visiting the emergency room rather than a primary care physician.
- Use of specialty services, such as expensive treatments that were never before available for illnesses like heart disease, kidney disease and cancer.
- The growing use of high-priced equipment, even when traditional diagnostic methods will suffice.
- "Defensive medicine" practiced by providers concerned about malpractice suits if they do not exhaust all treatment options, even when they are not warranted.
- The labor intensity of the health care industry and the high earnings for professional, administrative and technical workers.

Employers do not have to wait until the open enrollment period to begin planning and educating their employees. Providing employees with information on a continuous basis will enable them to become true consumers who make better, educated decisions. In addition, by proactively providing employees with the information they need throughout the year, HR professionals can avoid the traditional open enrollment crush.

Getting Consumers Engaged

In an attempt to hold down costs, most employers require their employees to share some of the health care costs – whether by paying for part of the premium, providing a portion of the co-pay or doing a bit of both. Companies hope that by requiring workers to have some "skin in the game," employees will have a deeper appreciation for health care costs and ultimately make better decisions.

In an effort to further reduce costs, many employers are starting to push employees to be even more involved in their health care decisions while implementing plan changes to curb potential overuse of services, including:

Plan Redesigns: Some employers have started setting annual or lifetime limits on the number of visits or treatments covered by a plan. When coupled with the appropriate guidance on how to choose and use benefits wisely, this can encourage employees to get the right treatment at the right time, and for the right cost.

Claims Management: Some employers have become more involved in controlling claims before they are incurred by evaluating the medical necessity of treatments and pre-certifying certain elective treatments.

Generic Drugs: To help reduce costs, many companies have started to educate employees on the cost-effectiveness of generic drugs rather than brand name drugs.

Consumer Driven Health Plans: More companies are educating employees on the benefits of these plans, such as Flexible Spending Accounts and Health Savings Accounts. Plans like these can provide employees with a greater connection to their health care decisions.

Wellness Programs: According to the Hay Group, a Philadelphia-based consulting firm that surveyed 435 employers in 2006, 75 percent of employers now offer a wellness program and 90 percent provide a disease management program. In an attempt to prevent chronic illnesses, like diabetes – a disease that accounts for one out of every 10 health care dollars spent in the United States – employers are utilizing these programs to increase awareness and reduce employee illness, thereby reducing costs.

Consumer Engagement: It's Working for Employers

While much has been said of consumer-focused health plans, concerns still exist about their long-term viability. While many see them as the

latest alternative to shift costs to employees, others say they will only attract the healthiest employees, thereby artificially lowering rates in succeeding years. Yet there are some that see them as a true opportunity to connect consumers to their own care and related costs.

Believing that consumer-driven plans can significantly lower costs, Humana conducted a three-year study of its own consumer driven health products, the results of which indicate potential for broader success and marketplace adoption as one answer to rising health care costs. In short, greater consumerism in health care works – through the thoughtful and consistent application of a consumer engagement strategy.

Though the study used Humana actuarial data, it is relevant across industry sectors. It illustrated how, through true consumer engagement, employers and health plans can ultimately enjoy lower year-

over-year health insurance costs when compared to today's more traditional offerings.

Called *Health Care Consumers: Passive or Active?*, the study looked at 143,000 health plan members in 155 employer groups of different sizes across a variety of industries between 2002 and 2005. A key finding was that any group, regardless of size, industry type or employee demographics, was able to reduce its medical costs while maintaining appropriate access to care and the quality of care.

In fact, when offering employers and employees new and innovative tools beyond more traditional materials, members were better able to help themselves fully utilize health benefits. The following outcomes were reported as a direct result of the enhanced "consumer engagement" strategy:

- Premium increases remained at single digits compared to national double digit average increases.
- Claims trends were in the 5-6 percent range, compared to a national trend of 12-14 percent.
- There was a cumulative savings of \$32 million and an average savings of nearly \$625 per employee over the three year life of the study.
- Future benefits costs became more predictable, via more stable premium increases each year.
- Savings were achieved without having to restrict employees to just low-cost plan options; an array of plans and benefits designs were offered to reflect personal health care and budgetary needs.
- Prescription drug compliance rates for chronic illness (heart disease, diabetes and depression) were in line with national quality score averages at non-consumer-driven health plans.
- Preventive health care services were on par with national utilization standards

Lowering Costs Through Engagement

Evidence to support consumer-focused health plans, such as the study cited above, is beginning to appear as the plans gain in popularity and become more widespread. Consumer-focused plans enable consumers to make smarter health care decisions and be more involved in the overall health care process, while offering employers the opportunity to more effectively hold the line on annual benefits costs.

Some argue that consumer-driven plans will drive people to stay away from the doctor because of costs. However, the study showed that employers who opted for employee self-enrollment tools and Web-accessible information saw better results than those who used traditional enrollment and plan administration services. CDHP (consumer-driven health plans) users saw medical spending decline by 10.8 percent versus employers who did not take full advantage of the tools.

Others argue that these plans are merely a way for employers to shift costs to their employees. Running counter to that theory, the study showed that overall employee benefit costs stayed at approximately 21 percent over the three-year study for CDHP and non-CDHP groups. Likewise, the employer share remained static at about 79 percent. This result counters the notion that consumer-driven plans drive up premium costs more than traditional plans.

How Savings are Achieved

CDHPs, by design, engage consumers in their health benefits and ultimately guide them to make more educated decisions. Behavior change is one example – a change both in how they choose and how they use their benefits. Participants in this study modified their behavior regarding medical care – they chose different kinds of care in different settings for different situations.

The study showed that members were more likely to use preventive services, thereby relying less on costly interventions like inpatient hospital stays. Higher prescription drug compliance rates were seen in those enrolled in consumer-directed plans. In fact, the survey showed that those enrolled in consumer-driven plans had a more than 76 percent utilization rate of medications for chronic conditions, as compared to roughly 62 percent for those in traditional plans.

According to the data, it appears that, when provided with the education and opportunities needed to better understand health plans, consumers create opportunities for reducing unnecessary medical spending, while decreasing the threat of rising premiums.

Consumer-Driven Plans Gain Ground

Though relatively new, these plans are gaining momentum and becoming more commonplace. The study showed that, over time, employees tended to select the consumer-choice plans – where savings and consumer engagement opportunities are maximized. For plans sold in “bundles,” 41 percent of employees chose the consumer-choice options, compared to an industry average of 16 percent.

For agents and brokers seeking better insight into how to take such offerings to market, four distinct disciplines appear as building blocks for acceptance among the successful consumer-driven plans examined in the study:

Product design: A wide spectrum of plan choices, from traditional managed care to consumer-choice options, that are offered to all of a company’s employees – not just those who opt for a “consumer-directed” plan.

Clinical programs and forecasting: Predictive modeling identifies and helps the “pre-sick,” thereby enabling that member to seek preventive care before they have a chronic condition.

Financial analysis and forecasting: Budgeting tools let employers “pick their trend” by aggregating the risk pool and offering various contribution strategies for the employer to choose.

Consumer education and engagement: Interactive tools that, when used, enable consumers to choose and use their benefits with confidence and success.

Agents and brokers ought to consider plans that provide employees with the essential tools and information needed to make their

consumer-driven plan a success. Continuous education is a critical component when dealing with consumer-driven plans and that is why communication, whether online, in the mail or in person is critical to successful adoption.

If employees are regularly educated on such things as health plan options and related costs and their previous year’s claim costs, they will become more involved in their overall health, which ultimately provides them the opportunity to achieve positive results and save money.

There is no question that health insurance in the United States has undergone tremendous change and will continue to pose challenges for consumers in the future. This three-year study revealed that by providing consumers with the appropriate information and guidance, unnecessary medical spending can be successfully reduced and rising premiums can be stabilized, which is something that benefits us all.

The Power of True Consumerism

While learning how to use a plan wisely can greatly benefit workers, understanding how to choose the plan that is right for an employee is just as important. Even making the decision to go with an HMO or PPO can have major implications if employees do not take all of their health care needs into account.

Despite this, most employees do not fully consider their health benefits options because they often feel overwhelmed by the seeming complexity of health care plans. According to the MetLife study cited earlier, 57 percent of employees spend less than 30 minutes considering their health benefits options for the coming year before making a decision.

In an attempt to help employees make good choices during open enrollment, some employers and health benefits providers have started offering tools that allow people to compare coverage options and quickly find answers to commonly asked questions. To further educate employees, HR professionals are helping people use the Intranet and/or Internet to obtain better information about diseases, treatments, and prevention. When coupled with the wellness programs and incentives, this can educate and encourage employees to remain healthy.

For almost five years, health benefits providers have been discussing the need for people to become better health care consumers in order to hold health care costs in check. In 2007, employers, HR professionals and insurance brokers need to make consumerism in health care more of a reality. By providing employees with the right resources and guidance, employers can help their workers become active consumers who spend health care dollars more efficiently, demand high quality services, and ultimately help reduce costs.

Changenow4health.com

"The health care system is broken.

It needs to be fixed now.

We've waited too long to begin the process of reform."

In an effort to report on progress regarding different health care initiatives in the U.S. - to share best practices in consumerism and transparency and to highlight individuals and groups who are focused on improving health care outcomes and quality - a new Website, changenow4health.com - has been launched to create ongoing dialogue to reform health care.

The site focuses on what is working today in health care, and what lessons can be taken from the best success stories across the country.

"Separately, we'll fail.

We must come together to solve key problems."

The site highlights the fact that the U.S. health care system will improve only if consumers, employers, health care providers and health plans all work together to bring about meaningful, lasting change.

A section entitled "What can you do?" details how each key stakeholder can contribute to positive change. The "provider" section, for instance, points out that in a recent Commonwealth Fund survey, doctors rated "spending more time with patients" and "better patient access to preventive care" ahead of all other factors in improving quality of care. Also, 35 percent said "improved teamwork and communication" are very important, and 25 percent said "more use of computer technology" is a key to improving care.

So, based on survey results such as this, the site encourages providers to embrace technology. Also, changenow4health.com includes real-life examples of how providers are doing this.

Everyone has a Part to Play

The site makes it easy for visitors to submit thoughts on what is working in communities across the nation - ideas others could benefit from in other settings. The site's administrators will review all of the submissions closely and then make the best ones available to all of the site's visitors.

More than anything, look at the site and encourage family, friends and neighbors to look at it as well. To succeed at changing health care now, there has to be a heightened sense of urgency. It has to be "now" ... not later. Obviously, some change is incremental. The entire system cannot be reformed in a day. But the more attention that's paid to this, the sooner contributions can be made to make the system work more responsively for all of us.

"Everyone must step up to play their part right now. We can't wait for an exhaustive five-year study period, followed by a gradual roll-out of a minor adjustment to a current process."

The site emphasizes that kind of blunt language. Everyone must take part in reforming the health care system. What can be done NOW to take action? Begin by taking a look at changenow4health.com. **N**

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