

THIRD-PARTY STATS RE: CCDH/CONSUMERISM

- 10th annual Top Five Benefits Priorities Survey conducted by the International Society of Certified Employee Benefit Specialists and the Human Capital practice of Deloitte Consulting LLP
 - The employer perspective.
 - Eighty-six percent of the survey's 3,000 respondents ranked controlling health and welfare costs among their top priorities (see Figure 1, "Top Five Employer Benefits Priorities for 2004"). (Figure 1 omitted. Please call 212-244-0360 and identify yourself with code FDN337 to have the figure faxed to you.) The vast majority of those who did so was consistent across all regions, industries, ages, and genders.
 - Two priorities tied for second place: promoting increased consumerism through plan design and expanding the use of self-service technology for communications and/or administration. Each was named by 32% of respondents.
 - The remaining top priorities are: considering adding or moving to a **consumer-driven health-care** model, and evaluating/implementing/expanding the use of **Internet/intranet applications (26%)**.
 - The employee perspective.
 - In ranking benefits priorities from an employee's point of view, 66% of respondents cited evaluating the adequacy of the current level of retirement savings as a priority. This was followed by evaluating current investment options, learning more about health risks and how to control them, identifying additional ways to save for retirement, and better managing **health-care costs**
- Employer interest in CDHPs is "up 1,000%," says Roger Schulz, senior vice president and director of sales for employee benefits broker J. Smith Lanier & Co., based in Atlanta, Ga.
- "Almost nobody wants to go out and make a sales call without some sort of consumer-directed proposal as an option," adds David Cowles, executive vice president of Benemax, a benefits management company based in Medfield, Mass. Seventy-five of Benemax's 225 clients now offer a "true-blue" HRA, he says.
- "There's so much activity in this area [of consumer-driven health]," says Brian Crawford, spokesperson for the Blue Cross Blue Shield Association. "A lot of employers and brokers are asking for this."
 - Fifteen out of 41 Blues plans surveyed by the association last year had delivered HRA-based products to market. Another 15 were planning to launch HRAs during 2004. By the end of this year, 75% of Blues plans will offer them, predicts Crawford, citing market competitiveness as the trend's driving force. Some 14,220 consumers are now enrolled in Blues plan HRAs, but "whether or not it will be the product of choice remains to be seen," says Crawford.
- **Hartford, Conn.-based Aetna leads the pack of traditional insurers for HRA enrollment.** The insurer boasts **173 employer clients and 175,000 members**, a four-fold leap in enrollment since January 2003. Robin Downey, head of product development, reports that even more employers are interested in offering HRAs for January 2005, now that they've had time to review the experiences of early adopters.
- **UnitedHealthcare, based in Minnetonka, Minn., reports 43 clients and 82,000 lives covered under its HRA product, iPlan.** Bloomfield, Conn.-based **Cigna HealthCare has 10 customers and 6,000 members in its HRA product called Health Savings Account (its name predates HSAs).** Humana, based in Louisville, Ky., says four clients are offering an HRA plan as coverage option under the Smart Select product, but the company declines to reveal enrollment figures.
- Towers Perrin survey
 - Misconception No. 1: Employees recognize that **health care costs** are rapidly rising and acknowledge it's their responsibility to absorb some share of the increase.
 - Reality: Employers are half right. Employees agree that costs are a problem, but a significant number do not think it's their job to fix them. Most employees (87%) agree that **health care**

- costs** are outpacing inflation. And a majority (63%) agrees that these costs have an impact on employer profits. However, less than half (46%) believe that employers are unable to absorb annual cost increases or that it's fair to ask workers to help out by paying more for their care (see Figure 1).
- Misconception No. 2: Controlling costs is simply a matter of convincing employees to become "better health care consumers."
 - Reality: Convincing employees to become better consumers won't be easy because they already think they are good consumers and they don't see a need to change. In fact, **86% of employees feel that they currently take responsibility for their health care and almost three-quarters (72%) consider themselves to be effective health care consumers who select providers, choose prescription drugs and make other well-informed decisions that are suitable for them and their employers. Furthermore, 76% give themselves high marks for accountability.**
 - Misconception No. 3: Traditional communication channels are adequate to help employees manage their health care.
 - Reality: **Employees increasingly seek non-traditional communication channels-many brought about by advances in technology-to make effective health care decisions.** Nearly three-quarters (73%) of employees indicate that they would find employer-provided access to health-related Web sites and nurse/medical professional hotlines most helpful in making effective health care decisions (see Figure 2).
 - Misconception No. 4: One-size-fits-all health care communications directed to all employees will be sufficient to change employee behavior and consumption patterns. FIGURE 2
 - Reality: When it comes to health care, employee attitudes and purchasing patterns differ by gender, health status and other demographic factors. For example, employees who consider themselves in poor health are far more receptive to receiving guidance, information and support from health experts regarding care than their colleagues who consider themselves to be in good health. **Anywhere from two-thirds to three-quarters of employees in poor health-people who can have the greatest impact in terms of improving their overall health or managing down health care costs-are also the most open to guidance at the point of care (see Figure 3).**
- Galen Institute's Center for Consumer Driven Healthcare
 - At a conference sponsored by the Institute for International Research
 - **HSAs are not the solution to providing health benefits to retirees.**
 - HRAs are likely to be more significant since they cannot be cashed out for non-medical uses and they suit employers' defined contribution strategies better.
 - In an economy where very few people actually 'stop working' at 65, the approach to retiree health benefits must be re-worked in order to better match the needs of a modern workforce.
 - Many workers may decide to phase-in to retirement, but neither Medicare nor employer benefits are suitable for such a transition.
 - According to a study released by the Center for Studying Health System Change (*Healthcare Financial Management*, Sept. 2004)
 - Many employers doubt that high-deductible health coverage tied to employer-funded spending accounts-consumer-driven health plans-can reduce their health costs.
 - One employer, for example, noted that 70 percent of the firm's covered employees had healthcare costs of less than \$1,000 a year. This employer expected that giving employees a \$1,000 spending account would encourage workers to use more services and costs, not limit them. However, some employers did expect consumer-driven health plans to slow cost growth. These employers said that with the health plans there is potential to increase consumers' financial stake in their health care.
 - From a November 1, 2004 Money article
 - The unofficial godmother of **consumer-driven health care** is Regina Herzlinger. Herzlinger,

60, is a Harvard Business School professor of business administration and a senior fellow at the Manhattan Institute, a New York think tank and the intellectual home of "compassionate conservatism." Herzlinger wrote her first book on **consumer-driven health care**, *Market-Driven Health Care*, seven years ago. In 1999 she organized a conference at Harvard that gave the movement its name.

- According to Lincolnshire-based human resources and consulting firm Hewitt Associates LLC (Nov. 2004) employees are willing to take more responsibility for their own health care decisions, but most need help doing so.
 - **Of the more than 39,000 employees surveyed, 93 percent said they are willing to be more responsible for their health care. But they are not sure how to go about it.**
 - More than 80 percent don't estimate health care expenses each year.
 - **79 percent do not think they have a role in controlling costs.**
 - 57 percent have never researched provider costs or quality.
 - Fewer than half are proactive about preventive care recommended by their physician.
- A survey of 97 insurers' Web site (*Inside Consumer Directed Care*, Dec. 17, 2004) conducted by Capgemini revealed
 - Only 40% of insurers reported offering interactive Web functions for CDH products
 - "Some plans just have information," says Hindy Shaman, director of research, thought leadership and marketing for Capgemini's health practice. The most sophisticated are offering online enrollment features, for example, along with wizards that allow enrollees to try "what if" scenarios for different deductible and account levels or help them decide how to allocate money across different types of accounts.
- Nearly a third (31%) of small employers with preferred provide organization plans require their employees to accept a deductible of \$1,000 or higher, according to Mercer Human Resource Consulting.
- *Life Science Weekly* (Jan. 11, 2005) published Health Industries Research Cos. (HIRC) fall 2004 "Employer and Coalition Service update which predicts
 - Significant growth in consumer-driven healthcare, as employers continue their efforts to reduce healthcare costs by allowing individual consumers more direct control over their healthcare spending.