

October 2008

## EMPLOYERS AND CONSUMERS RECOGNIZE VALUE OF CONSUMER-DIRECTED HEALTH PLANS

### SUMMARY

A recent study of consumer-directed health plans (CDHPs) by WellPoint, Inc.<sup>1,2</sup> found good news for both employers and consumers. Employers, the most common source of health benefits in the United States, are faced with increasing cost pressures. However, the employers in WellPoint's study who switched to a CDHP in 2007 saw a slight decrease in their cost trend while costs for other plan types continued to climb. At the same time, the consumers enrolled in CDHPs had higher utilization of preventive care than consumers enrolled in non-CDHPs. The difference was more pronounced for males than females. WellPoint's analysis found the male CDHP members had 8.8 percent higher preventive utilization than their counterparts enrolled in other plan types. This is a particularly positive finding as men generally tend to have fewer preventive care visits than women.

### EMPLOYERS SEE VALUE IN CDHPS

---

Employment-based health benefits remain the most common source of health insurance in the United States<sup>3</sup> but employers, facing ever increasing cost pressures, report they are considering a variety of options to help manage benefit costs.<sup>4</sup> A growing number are turning to consumer-driven health plans (CDHPs).

Since their introduction, CDHPs have been the subject of lively discussion within the health industry, media, employer groups and consumers. CDHPs operate on the premise that engaged consumers make more cost-effective decisions. Proponents of health care consumerism applaud these new plans for putting more control over health care spending in the hands of consumers themselves. Critics, however, have questioned whether CDHPs can yield real savings.

WellPoint's analysis found CDHPs can achieve significant cost savings for employers. WellPoint examined a full year of experience for a group of employers that switched from a non-CDHP in 2006 to offering a CDHP with member co-insurance in 2007. This analysis showed the initial year cost trend for members that elected the CDHP was slightly *negative* at a time when the cost trend in the market was 7 – 10 percent for non-CDHPs.<sup>5</sup>

CDHPs aim to manage health care cost by promoting healthier behaviors and encouraging informed consumer decision making. Because consumer-driven plans will be a new concept to some employees, communication during the enrollment period and a well-planned implementation are essential. Communications about the CDHP need to begin earlier and occur more frequently than communications from traditional plans, giving employees an opportunity to hear about the plan multiple times and through various avenues. Once the plan is in effect, continued communications about the unique aspects of the plan can help employees become engaged health care consumers.

**PREVENTIVE CARE**

While some critics have questioned whether CDHPs would result in decreased use of preventive care, WellPoint’s analysis found the CDHP members in this study actually utilized preventive services at a higher rate than their non-CDHP counterparts.

The difference in preventive utilization between the CDHP and non-CDHP members was greater for males than females. Health experts have observed that men in the general population go to the doctor less frequently than women and have significantly fewer preventive care visits.<sup>6</sup> Although WellPoint’s analysis found higher preventive utilization in women than in men among both CDHP and non-CDHP members, the male CDHP members in this study had 8.8 percent higher preventive utilization than those in enrolled non-CDHPs. Among females, preventive utilization was 3.1 percent higher for CDHP members than for members in other types of plans.

Health plans are increasingly looking for ways to encourage consumers to actively manage their own health. The CDHP members in this study had access to a number of tools to support their efforts to lead healthier lives, including:

- Coverage for recommended preventive services;
- Information about the importance of preventive services;
- A health assessment tool to help consumers understand their health risks and identify ways to manage their health;
- Personal Health Coach program; and
- Coverage for smoking cessation and weight management programs.

**MORE CONSUMERS CHOOSING CDHPs**

A 2007 “Consumerism in Health” study from the Employee Benefit Research Institute (EBRI) and the Commonwealth Fund<sup>7</sup> found that, among people with employer-sponsored health benefits, CDHP members were more likely than others to have had a choice of plans. Sixty-three percent of those covered by a CDHP reported they had a choice of health plans, compared to 54 percent of those enrolled in more traditional plans, and just 46 percent of enrollees in non-CDHP high-deductible plans.

When choosing a health plan, consumers must often consider not only their own preferences, but what they think is best for their entire family. WellPoint’s study indicates many of those consumers are choosing a CDHP to meet their family’s needs.

A number of the employers in WellPoint’s study offered their employees a CDHP along with another plan type. The choices those employees made suggest many saw the CDHP as the more attractive option for a family. Over 50 percent of those who selected a CDHP enrolled in family coverage. Comparing the age make up of the two groups offers another indication many parents considered the CDHP the better option. The CDHP-by-choice members included a greater percentage of children under 18 (Figure 1).

**Figure 1: Member age among those with a CDHP plan as an option**

	<b>CDHP</b>	<b>Non-CDHP</b>
0 – 9	13.3%	11.6%
10 – 18	15.5%	14.0%
19 – 29	11.7%	12.6%
30 – 39	14.9%	14.5%
40 – 49	21.3%	19.9%
50 – 59	18.4%	20.4%
60 – 64	4.8%	6.9%
0 – 64	100%	100%

Choices about health care are both important and highly personal. Consumers must consider their own circumstances when making these decisions. As WellPoint's study shows, many are selecting CDHPs to get the coverage and care they, and their families, need.

## ABOUT THE STUDY

---

Findings are based on 7,977 employer groups that offered a CDHP from a WellPoint affiliated health plan in 2007. CDHPs were offered either on a full-replacement basis or as an option along with another plan type. The employers were located in one of eight states (Connecticut, Indiana, Kentucky, Maine, Missouri, New Hampshire, Ohio, and Wisconsin). As of December 2007, nearly 300,000 members were covered by WellPoint affiliated health plans offered through these employers. A cohort analysis examined the 2007 experience of a subset of groups that switched from a non-CDHP from a WellPoint affiliated health plan in 2006 to a WellPoint-affiliated CDHP with co-insurance in 2007. This cohort had an average 2007 membership of over 11,000.

---

<sup>1</sup> WellPoint, Inc. is the largest health benefits company in terms of medical membership in the United States. WellPoint is an independent licensee of the Blue Cross and Blue Shield Association and serves its members as the Blue Cross licensee for California; the Blue Cross and Blue Shield licensee for Colorado, Connecticut, Georgia, Indiana, Kentucky, Maine, Missouri (excluding 30 counties in the Kansas City area), Nevada, New Hampshire, New York (as the Blue Cross Blue Shield licensee in 10 New York City metropolitan and surrounding counties and as the Blue Cross or Blue Cross Blue Shield licensee in selected upstate counties only), Ohio, Virginia (excluding the northern Virginia suburbs of Washington, D.C.), Wisconsin; and through UniCare. Additional information about WellPoint is available at [www.wellpoint.com](http://www.wellpoint.com).

<sup>2</sup> CDHP Experience Analysis conducted by WellPoint Actuarial, 2008

<sup>3</sup> Sources of Health Insurance and Characteristics of the Uninsured: Analysis of the March 2007 Current Population Survey, EBRI, 2007

<sup>4</sup> Employer Health Benefits 2007 Annual Survey, Kaiser Family Foundation/Health Research Educational Trust, 2007

<sup>5</sup> WellPoint Actuarial analysis of 2007 trend for Connecticut, Indiana, Kentucky, Missouri, New Hampshire, Ohio, and Wisconsin

<sup>6</sup> National Ambulatory Medical Care Survey: 2005 Summary, National Center for Health Statistics, 2007

<sup>7</sup> Findings from the 2007 EBRI/Commonwealth Fund Consumerism in Health Study