NEWS RELEASE

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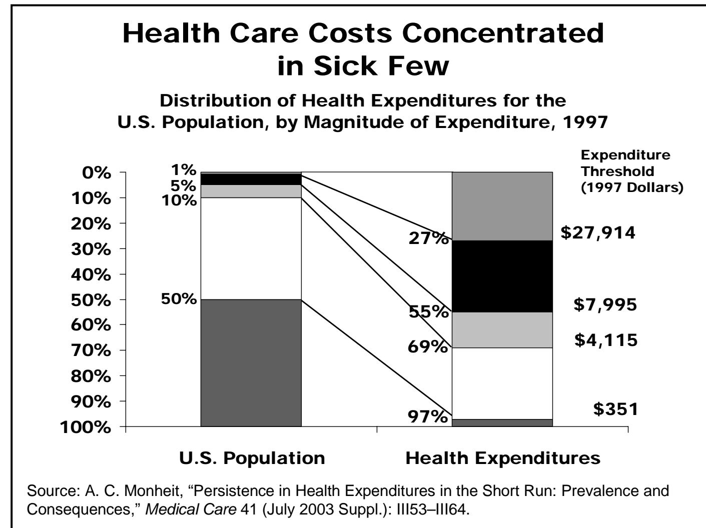
CONSUMER-DIRECTED HEALTH CARE PLANS NOT LIKELY TO LOWER HEALTH CARE COSTS

Care Management for High-Cost Patients More Effective Way to Control Costs; Evidence Warns of Reduction in Needed Care, Favorable Risk Selection in CDHC

New York City, August 19, 2004—Consumer-directed health care (CDHC)—high-deductible plans often touted as the answer to spiraling health care costs—is not likely to curb health care costs, and could even worsen health outcomes by reducing patients' receipt of needed preventive care and care for chronic conditions, says a new report from The Commonwealth Fund.

A more effective and equitable alternative to increased cost-sharing for patients would be care management for high-cost patients, says Commonwealth Fund President Karen Davis in *Will Consumer-Directed Health Care Improve Health System Performance?*, noting that ten percent of individuals account for 69 percent of health care costs.



Source: A. C. Monheit, "Persistence in Health Expenditures in the Short Run: Prevalence and Consequences," *Medical Care* 41 (July 2003 Suppl.): III53–III64.

The key missing element in consumer-directed health care plans—which generally consist of a high-deductible health plan combined with a health reimbursement account (HRA)—is any strategy that would promote high-quality care. To effectively slow health care cost increases, health care plans will need to reward providers of high-quality care and efficiency, and better manage care for patients with costly conditions. "Longer-term solutions aimed directly at the root causes of higher costs are needed to improve health system performance and to achieve better quality, safety, and efficiency of care provision," says Davis.

CDHC plans are relatively new and untested by large numbers of enrollees—fewer than one million individuals have an HRA out of 160 million covered by employer plans—and direct

evidence about the effects of these plans on health spending and utilization is sparse. To fill this gap, Davis reviews research based on the RAND Health Insurance Experiment linking high out-of-pocket spending with a decrease in patients' consumption of effective health care for both high-income and low-income patients, and other research on the effects of patient cost-sharing on access to health care and health status.

While CDHC plans are designed to reduce unnecessary care, Davis points to evidence that necessary and effective care will be reduced as well, potentially leading to worse health outcomes.

The issue brief expands on a commentary by Davis published in the August 2004 issue of the journal *Health Services Research*, a special issue examining early evidence of CDHC published with support from the Fund.

Findings from studies in the issue highlighted in Davis' commentary include:

- Studies in both the U.S. and Canada find that increased cost-sharing for prescription drugs led to a reduction in filling prescriptions known to be effective in controlling chronic conditions
- Healthier, higher-income individuals are more likely to enroll in CDHC plans, leaving sicker and lower-wage employees in higher-cost plans.
- While reenrollment in CDHC plans is high—about 90 percent—only about 30 percent of enrollees would recommend the plans to others.

Davis asserts that to reduce health care costs, instead of reducing consumer spending across the board, U.S. health care leaders and policymakers must promote a high-performance health care system. Steps to achieve this goal include:

- Public reporting of cost and quality data
- Investment in IT
- Development of guidelines and standards
- Rewarding high-quality performance including better management of high-cost conditions
- Investment in health care quality research by the federal government

The Commonwealth Fund is a private foundation supporting independent research on health and social issues.
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