



In the Literature

CONSUMER DRIVEN HEALTH PLANS: ARE THEY MORE THAN TALK NOW?

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Although enrollment is still modest, “consumer-driven” health coverage has become a pillar of insurers’ business strategy, new research finds. An estimated 1.5 million people are enrolled in these new plans, which allow people to customize their benefits and provider networks. Some analysts say this type of coverage could account for 20 percent of the health insurance market by 2005 and as much as 50 percent by 2007. But according to a *Health Affairs* study sponsored by The Commonwealth Fund, the jury is still out as to the effectiveness of consumer-driven plans.

One type of consumer-driven plan examined by authors Jon R. Gabel, Anthony T. Lo Sasso, and Thomas Rice allows enrollees to choose their benefit package and providers either through a tiered mechanism or a customized package, and then pay any costs beyond a fixed contribution by their employer. Health spending accounts, into which firms contribute pretax dollars for their workers’ health care purchases, are another form of consumer-driven coverage.

Consumer-directed plans, say the authors, are joining the mainstream of the health insurance marketplace with the help of big insurers, who have responded to the competitive challenge of start-up firms such as Definity Health. Today, Blue Cross and Blue Shield plans, with more than 900,000

enrollees in consumer-directed plans as of July 2002, are the field’s biggest players.

KEY ISSUES

Use of Information

The study, which was based on interviews with more than three dozen experts, raises questions about enrollees’ ability to choose their physician networks on the basis of quality. Good information on quality is not yet available, particularly for individual physicians. Moreover, many consumers are not prepared to make use of it on the Internet—the most prevalent source of health care choice information on the current plans. The authors point out that a rapid increase in the availability of useful information would most likely follow a large growth in consumer-driven plan enrollment. It is not clear, however, from where the additional money needed to carry this out will come.

Cost Control

High deductibles are likely to reduce costs, but these reductions may not offset the cost increases generated by a movement away from managed care. Consumer-driven plans, in theory, have less purchasing power than do tightly managed plans with narrow networks and are therefore less able to secure large discounts from providers.

Access to Care

Another question is how consumer-driven plans are likely to affect the proportion of employees who obtain health insurance coverage.

Employer offer rates are likely to rise if such plans can be priced more cheaply than current insurance, which might be the case if they have high deductibles. Take-up rates might actually decline, however, if employees view these new products as providing little in the way of benefits, given that healthier employees might rarely reach their maximum deductible.

Selection Bias

Some analysts and journalists are alarmed that consumer-driven health plans will further fragment employer risk pools, resulting in a de facto transfer of resources from older and sicker employees to younger and healthier workers. When employers offer customized package plans, for instance, sicker people will not enroll in the lower-cost, high-deductible plans. The lower 50 percent of health care users, who account for just 5 percent of medical claims expenses in a typical group plan, would each be due their spending account allowances (ranging from \$500 to \$1,000). The plan could offset such increased spending only by reducing claims expenses for families who exceed their allowance but do not reach their deductible, or families who exceed their deductible.

Legal and Legislative Issues

The firms interviewed reported that allowing portability of health insurance between employers would likely have the greatest potential impact on the way people think about health coverage. Portability, they believe, would allow people to set aside their health benefits for a rainy day and help eliminate the “use it or lose it” mentality.

Employees do not bear most of the costs associated with higher use of care or use of more costly delivery systems. Consumer-driven products thus would reestablish the link between service use and em-

ployee financial liability. If, as a result, employees respond to these incentives and use the Web tools not just to make decisions regarding their plan but to select providers based on quality and make informed treatment decisions, quality of care could improve. At its worst, however, consumer driven health care may destabilize risk pools and lead to a redistribution of health care services and income from the sick to the healthy.

Facts and Figures

- Most consumer-driven health plans include informational software and services to help enrollees make decisions about their health care. Blue Cross and Blue Shield Associations estimate that 15 to 20 Blues plans either offer or are developing consumer-driven customized packages, many on Web-based menus of product designs.
- Under consumer-driven health care, employees are less likely to be subject to pre-authorization review and primary care gatekeepers. More aggressive disease management programs for high-cost and chronically ill patients will be created.
- Within “tiered” networks, employees face different cost-sharing requirements among different preferred providers. If an employee has a hernia repair performed in a teaching hospital, for instance, the employee pays a deductible of \$1,000. If the surgery is performed in a lower-cost community hospital, the employee pays \$500.