



In the Literature

EMPLOYERS' CONTRADICTIONARY VIEWS ABOUT CONSUMER-DRIVEN HEALTH CARE: RESULTS FROM A NATIONAL SURVEY

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According to a new survey, U.S. employers are becoming increasingly familiar with consumer-driven health plans, the term used to describe arrangements that give employees greater choice among benefits and providers but also expose them to greater financial risk. Employee benefit managers at the 1,800 firms surveyed were most familiar with health reimbursement arrangements (HRAs), or high-deductible plans in which employees pay out-of-pocket costs from a spending account funded by their employer, and then pay their own medical expenses until they reach the deductible. Nonetheless, the survey found that familiarity with consumer-driven plans did not mean that employers are eager to embrace them. Although the majority of benefit managers surveyed strongly or somewhat agree that HRAs will result in lower costs, the majority also believe that the plans will not improve the quality of care or prove popular with employees, and that the plans will attract only healthier employees.

Results of the Commonwealth Fund-supported survey were published as a *Health Affairs* Web Exclusive (April 21, 2004), "[Employers' Contradictory Views About Consumer-Driven Health Care: Results from a National Survey](#)," by Jon R. Gabel, M.A., vice president of health systems studies at the Health Research and Educational Trust, and colleagues. It is the first survey that uses a randomly selected sample of public and private firms, and thus permits extrapolation to the national level. In addition to HRAs, the survey considered two other types of consumer-driven

plans: personalized, or design-your-own plans, which allow employees to select providers and benefits using Web-based tools; and customized-package plans, which allow employees to choose from a predetermined set of network and benefit offerings, also using Web-based tools. For both types of plans, employers contribute a fixed amount toward the costs of the plans, and employees bear the financial risk based on their particular choices.

Consumer-driven health care is evolving at a time when employers are asking employees to shoulder more of the costs of care. The survey found that about two-thirds of employees work for firms in which the benefit manager is very or somewhat familiar with the term consumer-driven health care; the larger the firm, the more likely the benefit manager was to be familiar with it. Eighty-two percent of all benefit managers were familiar with HRAs. Less than half of benefit managers were familiar with personalized plans (47%) or customized-package plans (49%).

Employers express mixed feelings about the effect of HRA plans on the costs and quality of care. Ten percent of employers strongly agree that such plans would result in lower health care use and spending, while 59 percent somewhat agree with this (see figure). A majority of benefit managers strongly (38%) or somewhat (42%) agree that such plans will attract healthier employees, resulting in adverse selection in the firms' other health plan options. Less than one of five (19%) strongly agree that such plans will result in more intelligent

medical care purchases. Very few benefit managers strongly agree that HRAs would improve quality of care (4%) and 27 percent somewhat agree that HRAs would do so. Similarly low figures strongly or somewhat agree that the plans would prove popular with employees.

Employers express little confidence in the potential of various strategies—including disease management programs, higher employee cost sharing, consumer-driven health plans, and tighter managed care restrictions and networks—to control costs of health care. Employers were most likely to cite disease management programs as being a very effective way to control costs; only 7 percent cite consumer-driven health plans and 14 percent cite higher employee cost-sharing.

In spite of such skepticism, the survey findings suggest that HRA enrollment may increase dramatically in the near future. Now, about 2 percent of workers have the option to choose an HRA plan. But 10 percent of benefit managers report that they are very likely to consider offering such a plan in the next two years, and another 21 percent

say that are somewhat likely to do so. Even if they are offered such plans, however, only a small minority (10%–20%) of employees may choose to join them. Very few employers report that they were very likely to consider offering personalized (2%) or customized (1%) plans in the next two years.

Overall, benefit managers at very large firms (with 5,000 or more workers) were far more likely to be familiar with HRAs, much more likely than benefit managers at smaller firms to already offer an HRA, and much more likely to consider offering such plans in the next two years. The authors note that such large firms are often catalysts of change in the health insurance system.

The passage of the 2003 Medicare Prescription Drug, Improvement, and Modernization Act may affect the future of HRAs. The law enables employees and their employers to contribute pre-tax earnings to a “health savings account” if they also choose a high-deductible health plan. Because of this tax subsidy and because the accounts are portable from job to job, they may supplant HRAs in the consumer-driven health care market.

Employers' Views on Health Reimbursement Arrangement (HRA) Plans, 2003

View	Strongly agree (%)	Somewhat agree (%)	Somewhat disagree (%)	Strongly disagree (%)
HRAs will result in lower health care use and spending	10	59	21	5
HRAs will attract healthier employees	38 ^a	42 ^a	14 ^a	4
HRAs will lead to more intelligent medical care purchases by employees	19 ^a	45 ^a	24	8 ^a
HRAs will improve the quality of care	4 ^a	27 ^a	44 ^a	21 ^a
HRAs will be popular with employees	2 ^a	23 ^a	36 ^a	35 ^a

Note: Data are weighted at the worker level and are representative of the typical covered worker.

^a Estimate is significantly different from “HRA will result in lower health care use and spending” by agreement category at the .05 level.

Source: J. R. Gabel et al., “Employers' Contradictory Views About Consumer-Driven Health Care: Results from a National Survey,” *Health Affairs* Web Exclusive (April 21, 2004): W4-210–W4-218, based on Henry J. Kaiser Family Foundation/Health Research and Educational Trust, Survey of Employer-Sponsored Benefits, 2003.