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CONTACTS: John MacDonald, EBRI, (202) 775-6349, macdonald@ebri.org
Mary Mahon, Commonwealth Fund, (212) 606-3853, mm@cmwf.org
Monika Ellis/Sherice Perry, Burness Communications, (301) 652-1558

New EBRI-Commonwealth Fund Research:

Consumer-Directed Health Plan Participants Less Satisfied Than Those with Comprehensive Insurance, Survey Finds

WASHINGTON—Americans enrolled in a relatively new type of health coverage designed to make them more cost conscious are less satisfied with their health plan than those with comprehensive health insurance and are less likely to recommend the new plans to a friend or colleague, a groundbreaking nationwide survey reported today.

High-deductible health plans (HDHPs) of \$1,000 or more for individuals and \$2000 or more for families can be combined with tax-preferred savings accounts such as Health Savings Accounts (HSAs) or health reimbursement arrangements (HRAs). Employers can contribute money to HRAs and both employers and individuals can contribute to HSAs, which can then be used to pay for health care expenses not covered by the health plans. These consumer-directed health plans (CDHPs) frequently have been called the latest big idea in health insurance in the United States. By giving more responsibility for costs to the consumer and theoretically providing cost and quality information about providers, the plans are designed to encourage participants to make informed, cost-conscious decisions about their health care.

The survey also found that those covered by these new plans, both with and without savings accounts, are more likely than those with comprehensive insurance to avoid or delay needed care. When they do get care, those in consumer-directed plans encounter larger financial burdens compared with those with comprehensive insurance. But individuals in the new plans do exhibit more cost-conscious behavior in their health care decisions—as the plans intended—compared with those having comprehensive insurance, the survey found. Still, the survey said this may come at the expense of those who are sick and have low incomes. And very few people have cost and quality information from their plans to make informed decisions, the study found.

Sponsored by the nonpartisan Employee Benefit Research Institute (EBRI) and the Commonwealth Fund, which supports independent research on health care issues, the Consumerism in Health Care Survey was designed to provide reliable national data on the growth of the new type of coverage and its impact on health care consumers. It is the first

national survey of its kind. A full report on the survey is published in the December 2005 *EBRI Issue Brief*. The report is available on both organizations' Web sites: www.ebri.org and www.cmwf.org.

Typically, a CDHP participant has a special type of savings account that is used to pay for medical costs up to a set amount and a high-deductible health plan (HDHP) that is used to pay for costs over a specified threshold. Proponents of these accounts think they will encourage individuals to become more astute health care consumers; critics worry that the high out-of-pocket costs will discourage use of needed health care services, especially among people with low incomes and/or chronic health conditions.

Employers have expressed considerable interest in the new plans in hopes they may help rein in health care costs. The survey found that 1 percent of privately insured U.S. residents ages 21-64 are enrolled in a CDHP, while another 9 percent are enrolled in an HDHP without an associated savings account. Both plans are expected to grow next year, but the survey suggested that comprehensive health plans remain far more popular—at least at this point.

Dallas Salisbury, EBRI chief executive officer, said, “Cost-conscious decision making is one advantage of consumer-driven plans. But the perception of those who are enrolled is that these plans do not provide the tools and resources to make decisions and that they reduce use and increase out-of-pocket spending. Overall, satisfaction is lower with consumer-driven plans than with comprehensive insurance.”

“These findings provide evidence that high-deductible and consumer-driven plans may undermine the two basic purposes of health insurance: to reduce financial barriers to needed care and protect against high out-of-pocket cost burdens for patients,” said Commonwealth Fund President Karen Davis. “Enrollees with low incomes or with health problems are particularly vulnerable to spending a high proportion of income on medical expenses under these types of plans.”

Here are some of the major points to emerge from the survey:

- Individuals with comprehensive health insurance were more satisfied with their health plan than individuals in CDHPs and HDHPs. Specifically, 63 percent of individuals with comprehensive health insurance were extremely or very satisfied with their health plan, compared with 42 percent among CDHP enrollees and 33 percent among HDHP participants.
- About 60 percent of individuals with comprehensive insurance reported they were extremely or very likely to stay with their current health plan if they had the opportunity to switch, compared with 46 percent among CDHP enrollees and 30 percent among HDHP enrollees.
- Individuals with CDHPs and HDHPs are more likely to spend a larger share of their income on out-of-pocket health care costs plus premiums than those in comprehensive health plans. More than two-fifths (42 percent) of individuals with HDHPs and 3 in 10 (31 percent) in CDHPs spent 5 percent or more of their income on out-of-pocket costs plus premiums in the past year, compared with about 1 in 10 (12 percent) in comprehensive health plans.

- Individuals with CDHPs and HDHPs were significantly more likely to avoid, skip, or delay health care because of costs than were those with comprehensive insurance, with problems particularly pronounced among those with health problems or incomes under \$50,000. About one-third of individuals in CDHPs (35 percent) and HDHPs (31 percent) reported delaying or avoiding care, compared with 17 percent of those in comprehensive health plans.
- More than 70 percent of individuals enrolled in CDHPs and 60 percent of those in HDHPs strongly or somewhat agreed that the terms of their health plans made them consider costs when deciding to see a doctor when sick or when filling a prescription. Less than 40 percent of those in comprehensive plans felt this way.
- Just 1 in 7 people in all types of plans said their plan offered information on doctors and hospitals. Moreover, just over half (54 percent) of those enrolled in CDHPs or HDHPs said they had tried to use plan information on the quality of physicians, and only 45 percent had tried to use quality information about hospitals.

Summarizing the survey's findings, Paul Fronstin of EBRI and Sara Collins of The Commonwealth Fund, co-authors of the report, offered these conclusions:

“This survey finds that consumer plans do, in fact, significantly raise consumer sensitivity to costs and reduce use. But the survey also demonstrates that cost-related reductions in demand are highest among those with the most to lose—those who are sick and those who have low incomes. To the extent that the health care cost problem is a problem owned by all of us, early evidence from the consumerism movement suggests that solving it through blunt, demand-side instruments like high deductibles gives disproportionate responsibility for the problem to the most vulnerable among us.”

Generally, there were few statistically significant demographic differences among those enrolled in comprehensive insurance, CDHPs, and HDHPs, the survey found. There also were no differences when comparing the three groups by gender, marital status, number of children, or race-ethnicity. However, individuals in CDHPs and HDHPs were more likely to be older than those in comprehensive insurance. In addition, those enrolled in CDHPs were more likely than those in HDHPs to report they are employed and are more likely than those in both comprehensive health plans and HDHPs to report personal earned income of \$150,000 or more.

The survey of 1,204 U.S. residents ages 21–64 was conducted Sept. 28 to Oct. 19 through an 18-minute Internet survey. While Internet surveys such as the Consumerism in Health Care Survey are not a representative sample of all adults, studies have demonstrated that such surveys, when carefully designed, obtain results comparable to random-digit-dial telephone surveys. Details about the survey methodology are available in the full study.

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