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Choice: When Does It Lead to Higher Customer Satisfaction?

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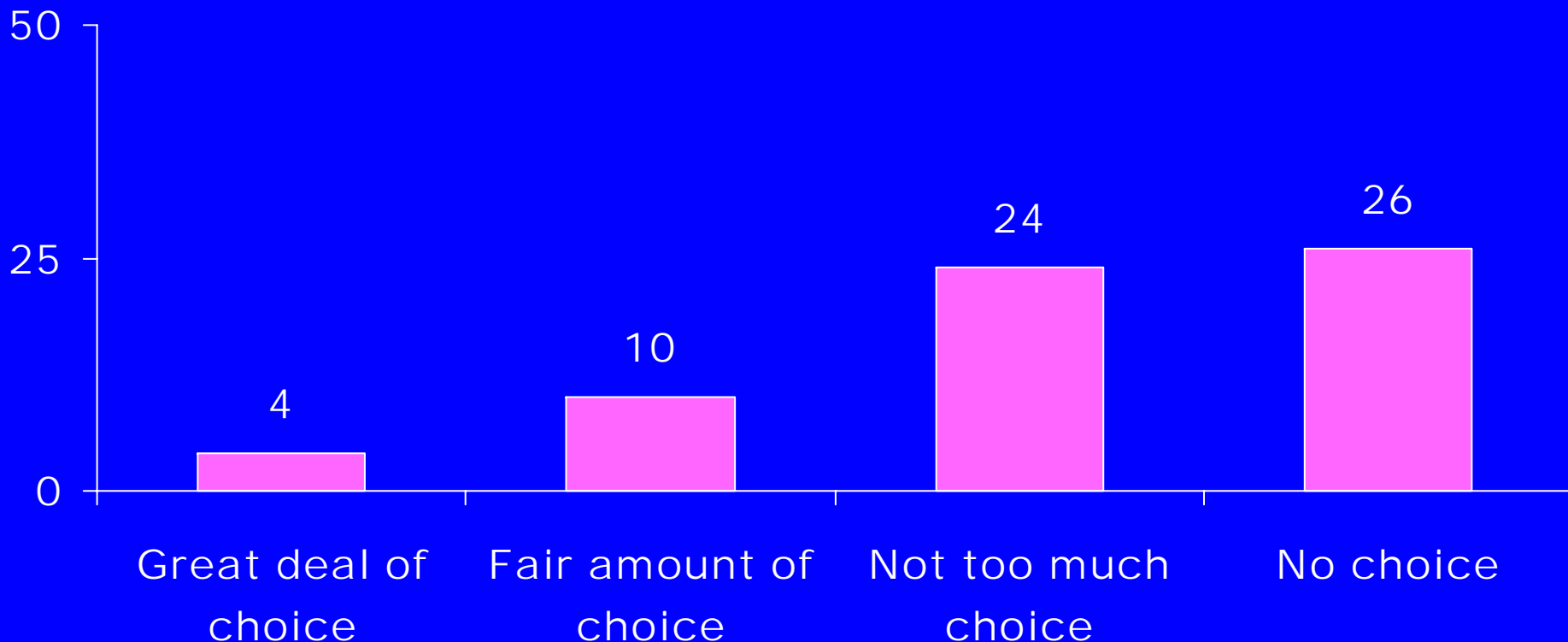
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Choice and Satisfying the Customer

- Choice of physician is most important to patients
- Choice of insurance plan is also important to enrollees
- Enrollees in high deductible health plans are less satisfied with coverage – but often have no other choice
- Selling a product customers dislike is not a long-term strategy for success

Those with Less Choice of Where Medical Care Is Received Are Less Likely to Be Satisfied with Their Health Care

Percent of adults 19–64 with employer-sponsored insurance who are “somewhat” or “very dissatisfied” with their health care

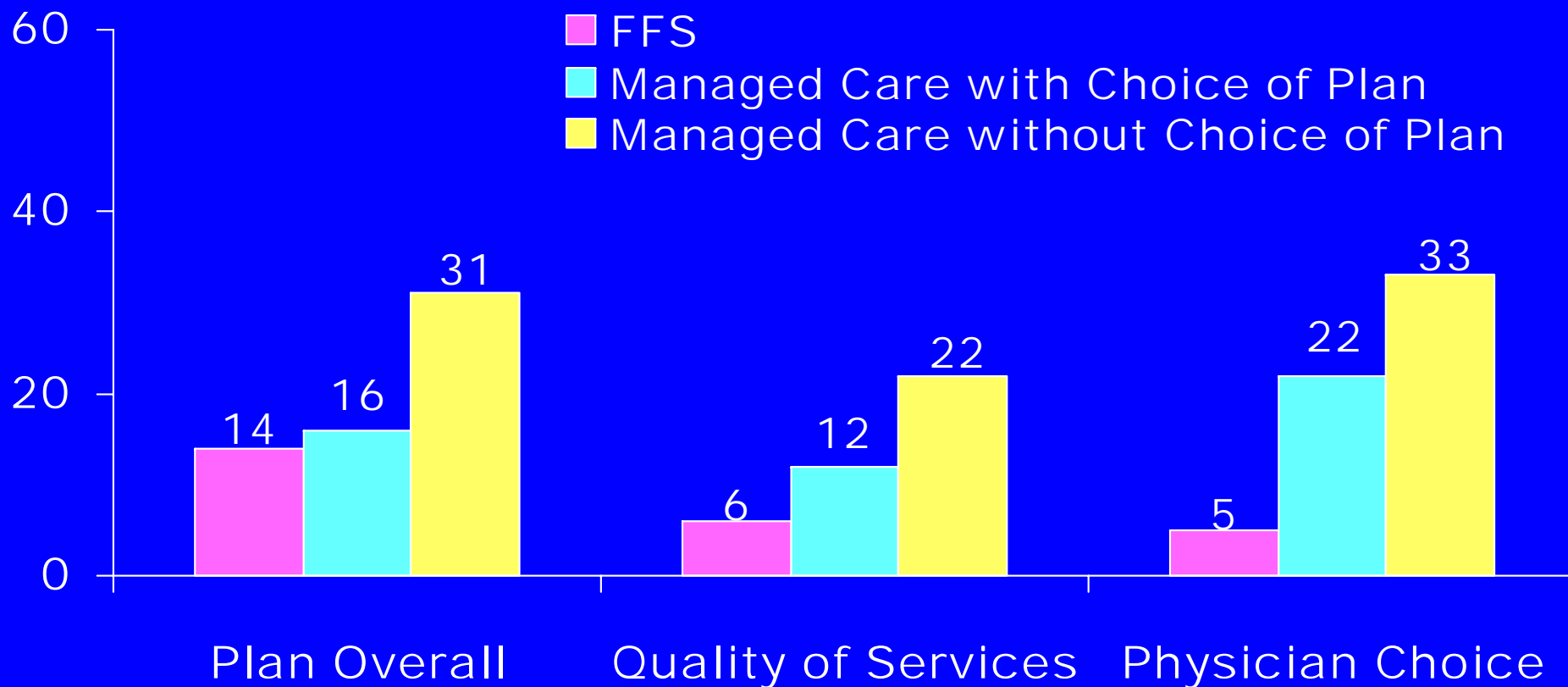


Source: Jeanne Lambrew, “Choice’ in Health Care: What Do People Really Want?”
The Commonwealth Fund, September 2005.



Enrollees' Dissatisfaction with Health Plan, by Degree of Choice of Plan

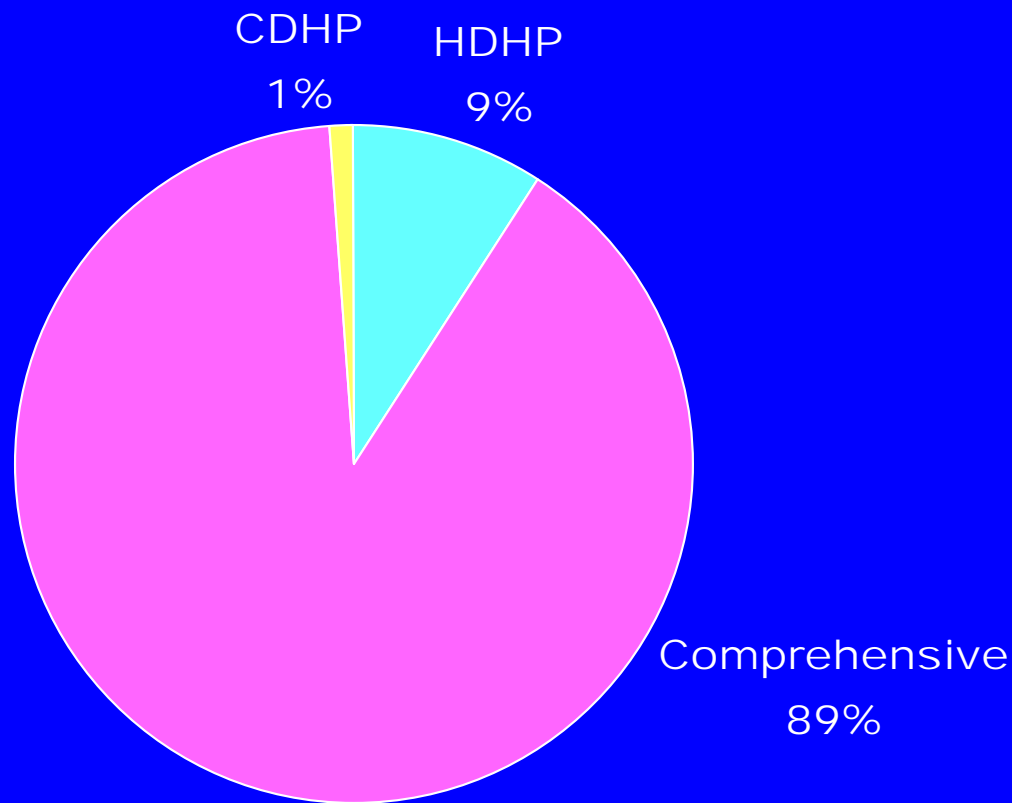
Percent rating plan "fair" or "poor"



Source: K. Davis, K.S. Collins, C. Schoen, and C. Morris, "Choice matters: enrollees' views of their health plans," *Health Affairs* 14(2): 99-112, 1995.



Few Insured People Are Currently Covered by High Deductible Health Plans (HDHP) or Consumer Directed Health Plans (CDHP) with a Savings Account



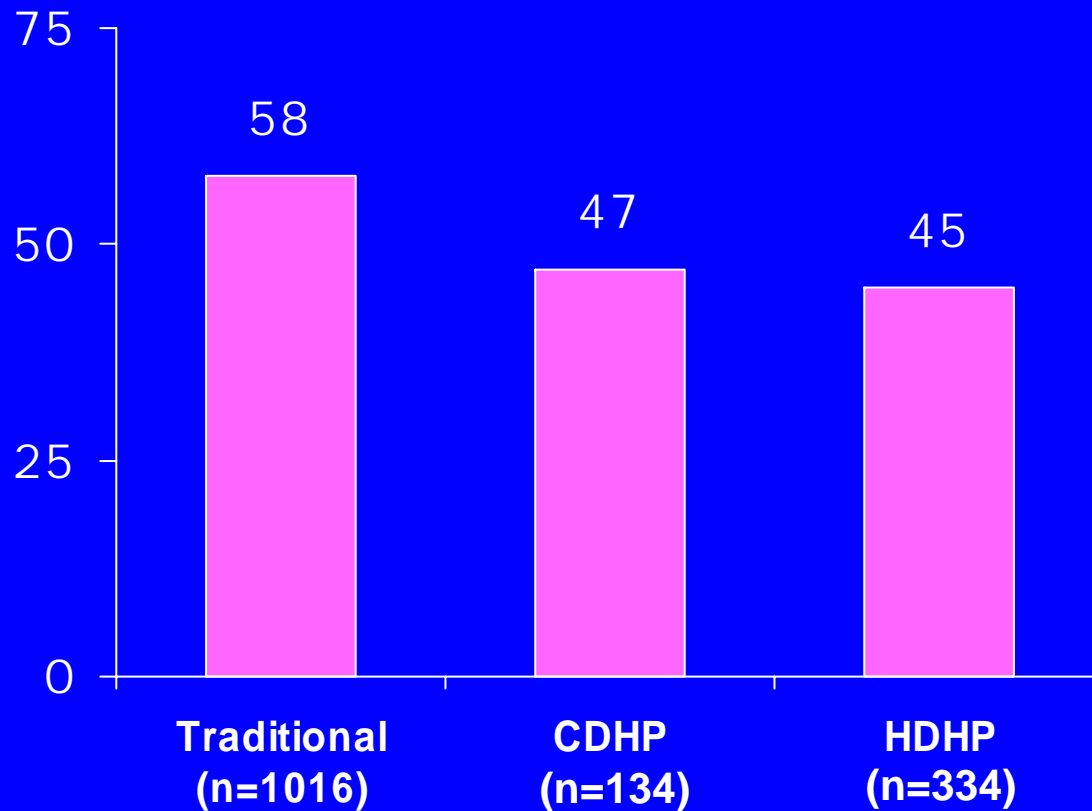
Note: Comprehensive = plan w/ no deductible or <\$1000 (ind), <\$2000 (fam); HDHP = plan w/ deductible \$1000+ (ind), \$2000+ (fam), no account; CDHP = plan w/ deductible \$1000+ (ind), \$2000+ (fam), w/ account.

Source: P. Fronstin, S.R. Collins, *Early Experience with High-Deductible and Consumer-Driven Health Plans: Findings From the EBRI/Commonwealth Fund Consumerism in Health Care Survey*, EBRI Issue Brief, December 2005.



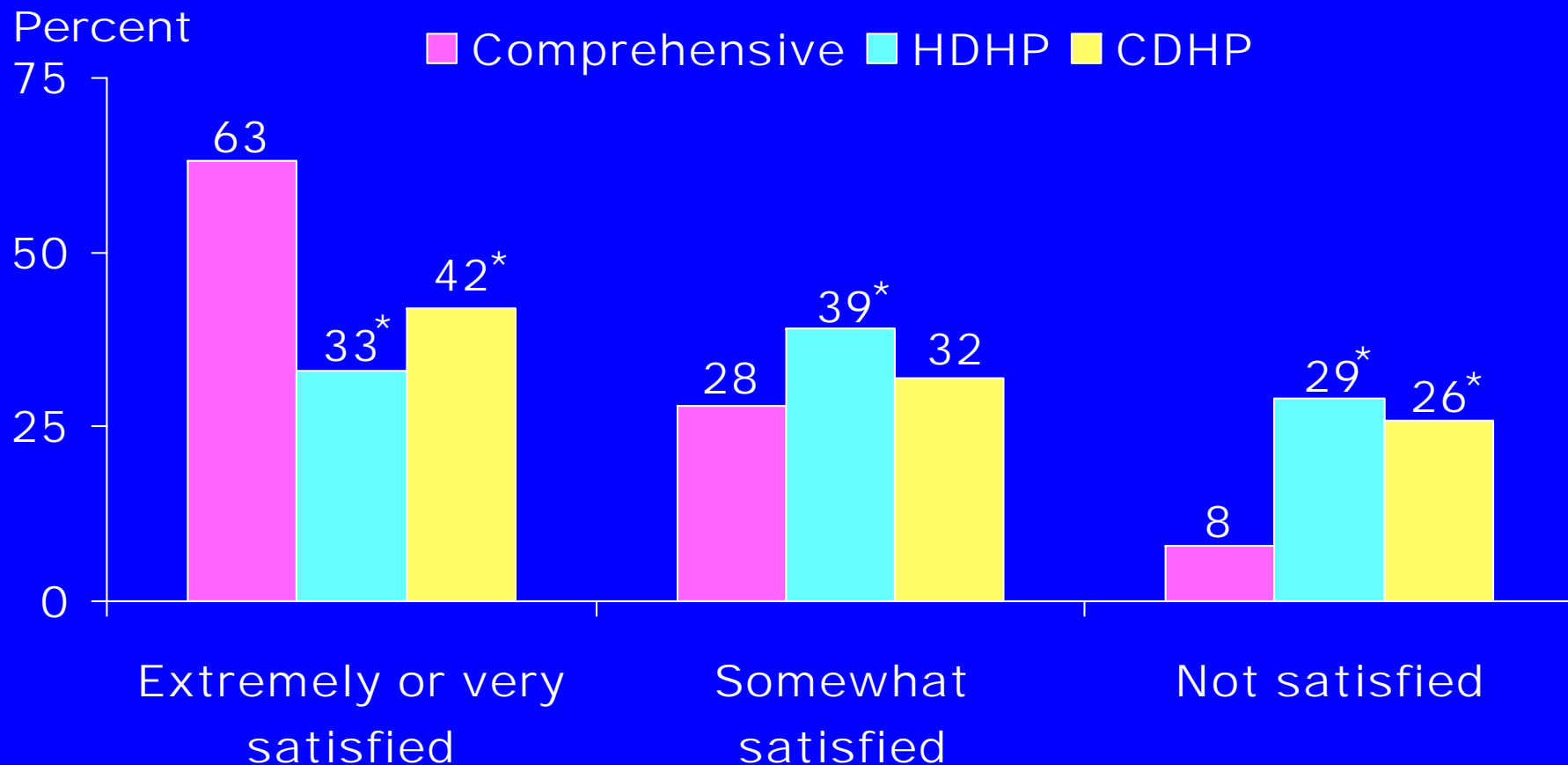
Less than Half of Those Enrolled in Employer-based High Deductible Health Plans Had a Choice

Percent of adults with employer-based coverage who were offered a choice of health plans



- CDHP and HDHP owners are less likely to have a choice of plans from their employer
- When they have a choice, the savings account is the leading reason for choosing CDHP, while premium cost is the most frequent reason for choosing HDHP. Traditional plans are chosen for low out-of-pocket costs.

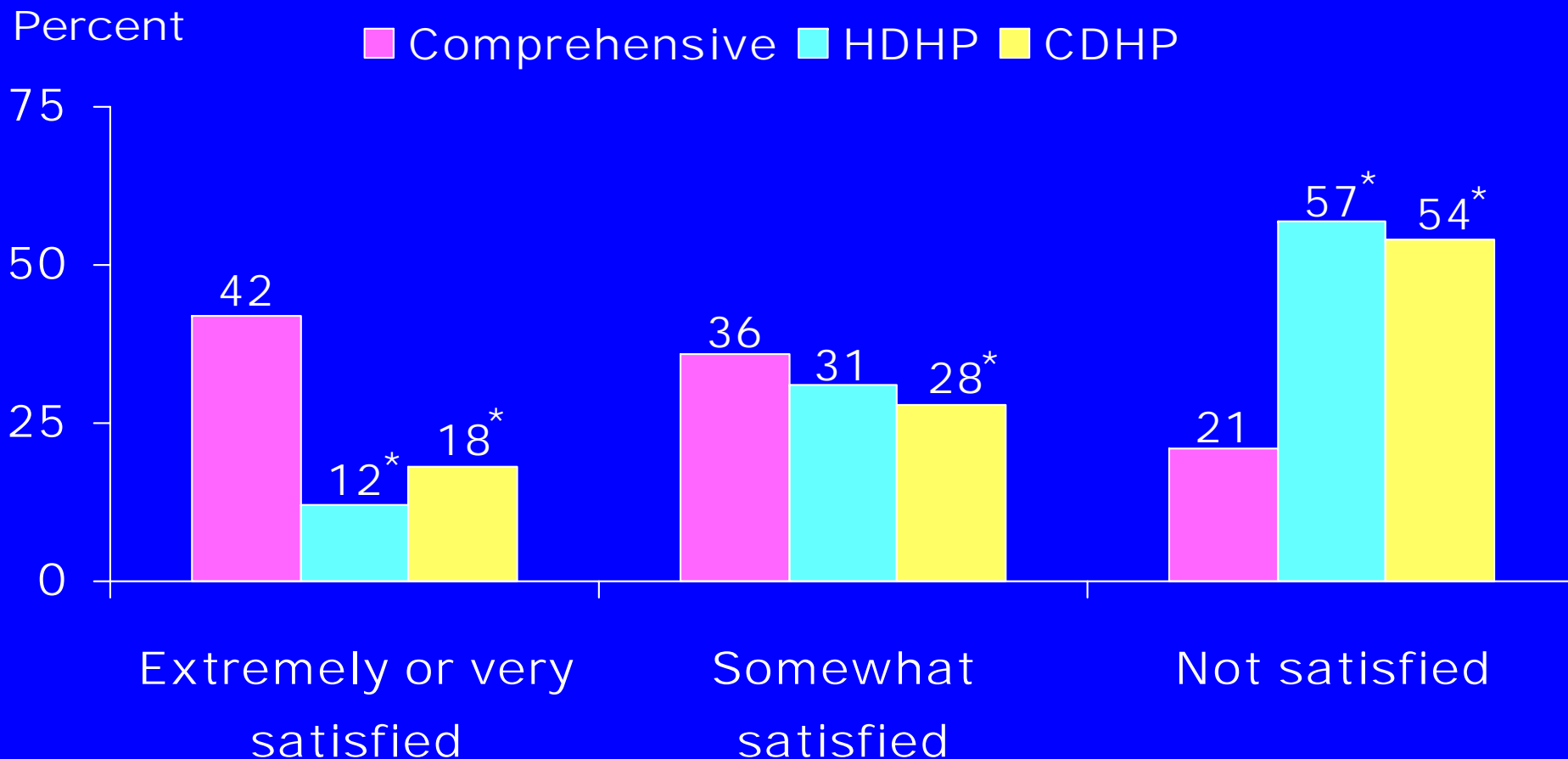
Enrollees of HDHP/CDHPs Are Less Satisfied with Their Coverage



*Difference between HDHP/CDHP and Comprehensive is statistically significant at $p \leq 0.05$ or better.

Source: P. Fronstin, S.R. Collins, *Early Experience with High-Deductible and Consumer-Driven Health Plans: Findings From the EBRI/Commonwealth Fund Consumerism in Health Care Survey*, EBRI Issue Brief, December 2005.

Enrollees of HDHP/CDHPs Are Less Satisfied with Out-of-Pocket Costs

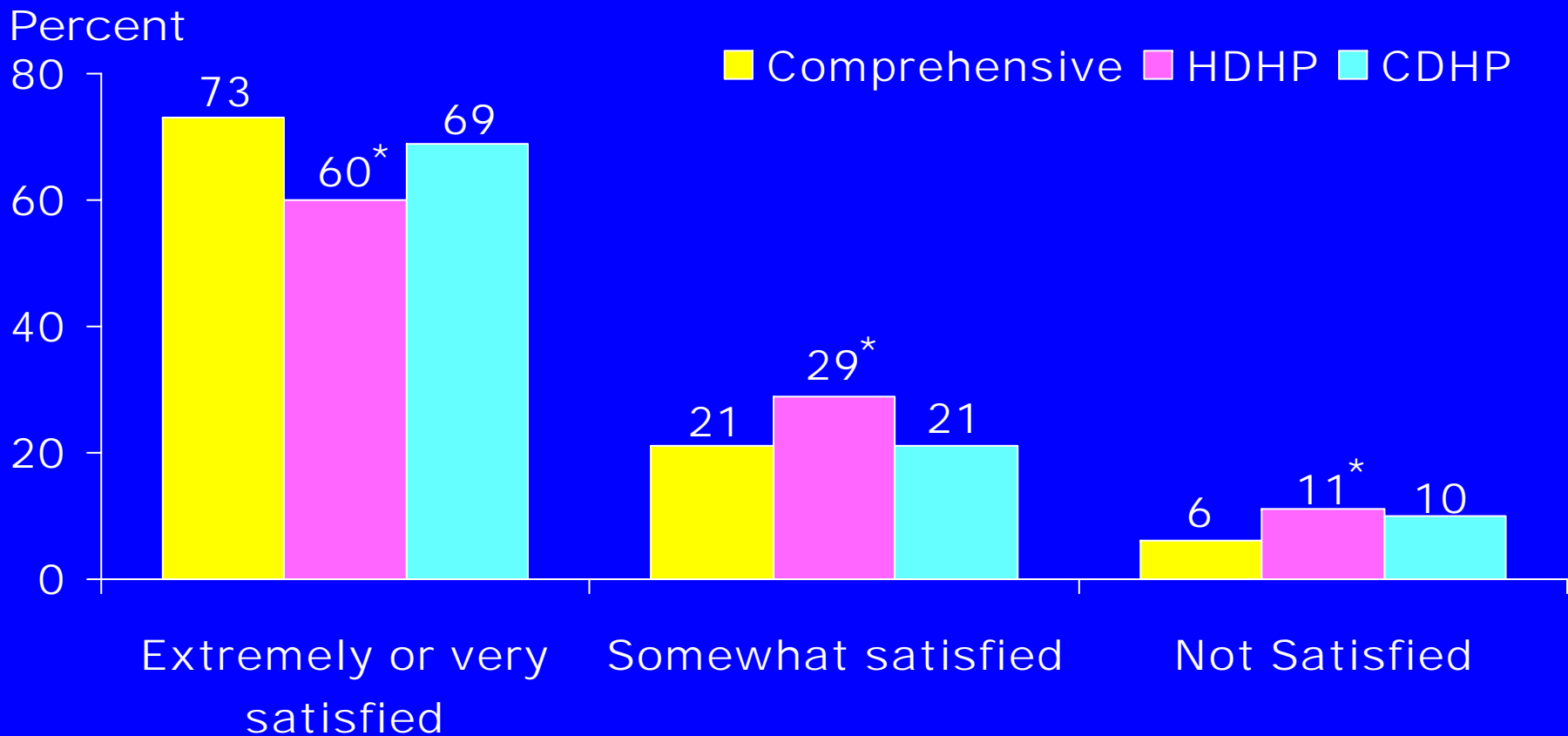


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Source: P. Fronstin, S.R. Collins, *Early Experience with High-Deductible and Consumer-Driven Health Plans: Findings From the EBRI/Commonwealth Fund Consumerism in Health Care Survey*, EBRI Issue Brief, December 2005.



Enrollees of HDHP/CDHPs Are Less Satisfied with Choice of Doctors

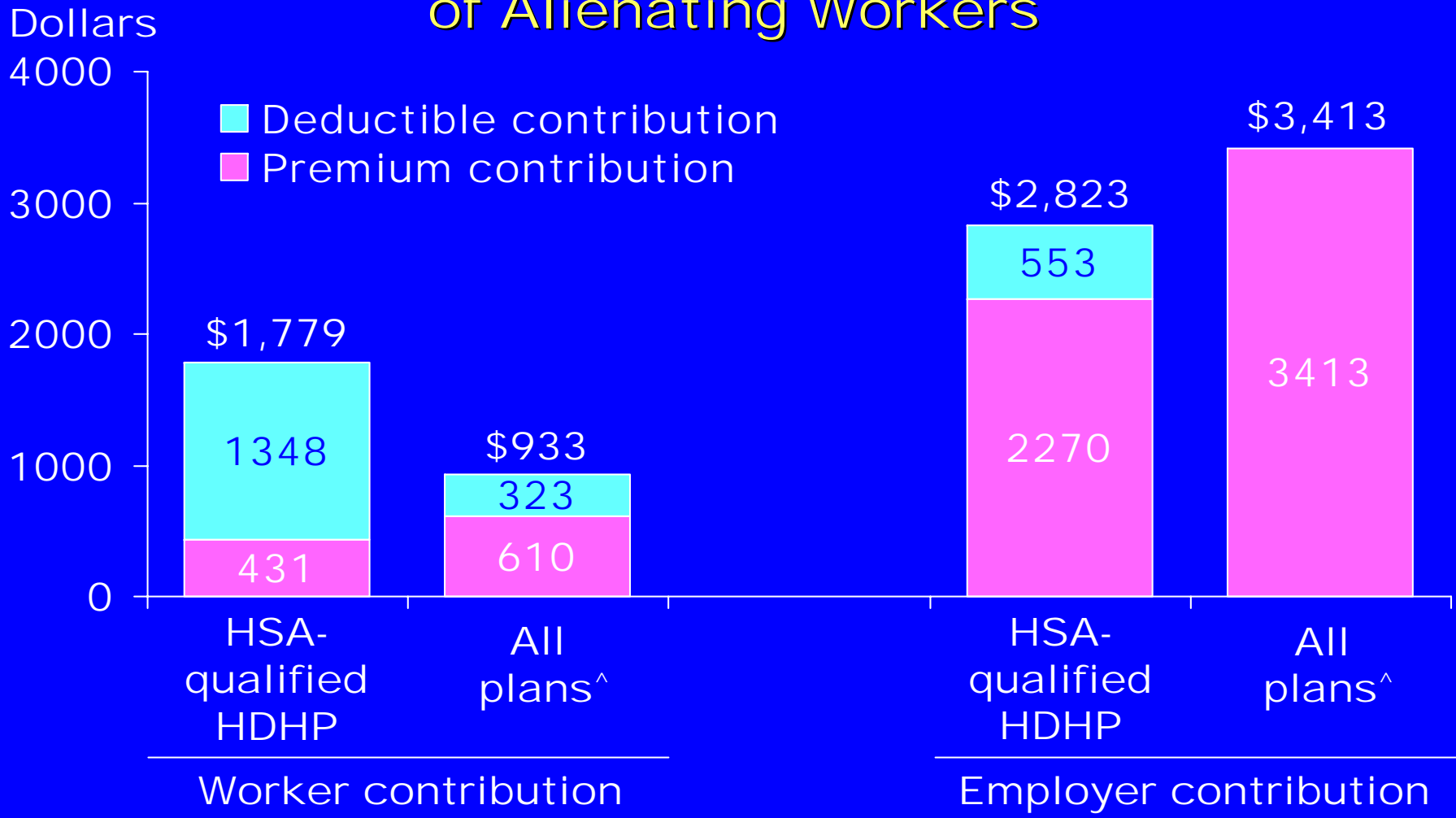


*Difference between HDHP/CDHP and Comprehensive is statistically significant at $p \leq 0.05$ or better.

Source: P. Fronstin, S.R. Collins, *Early Experience with High-Deductible and Consumer-Driven Health Plans: Findings From the EBRI/Commonwealth Fund Consumerism in Health Care Survey*, EBRI Issue Brief, December 2005.



Workers are Less Satisfied when Their Costs Go Up – Employer Costs Go Down but at the Risk of Alienating Workers



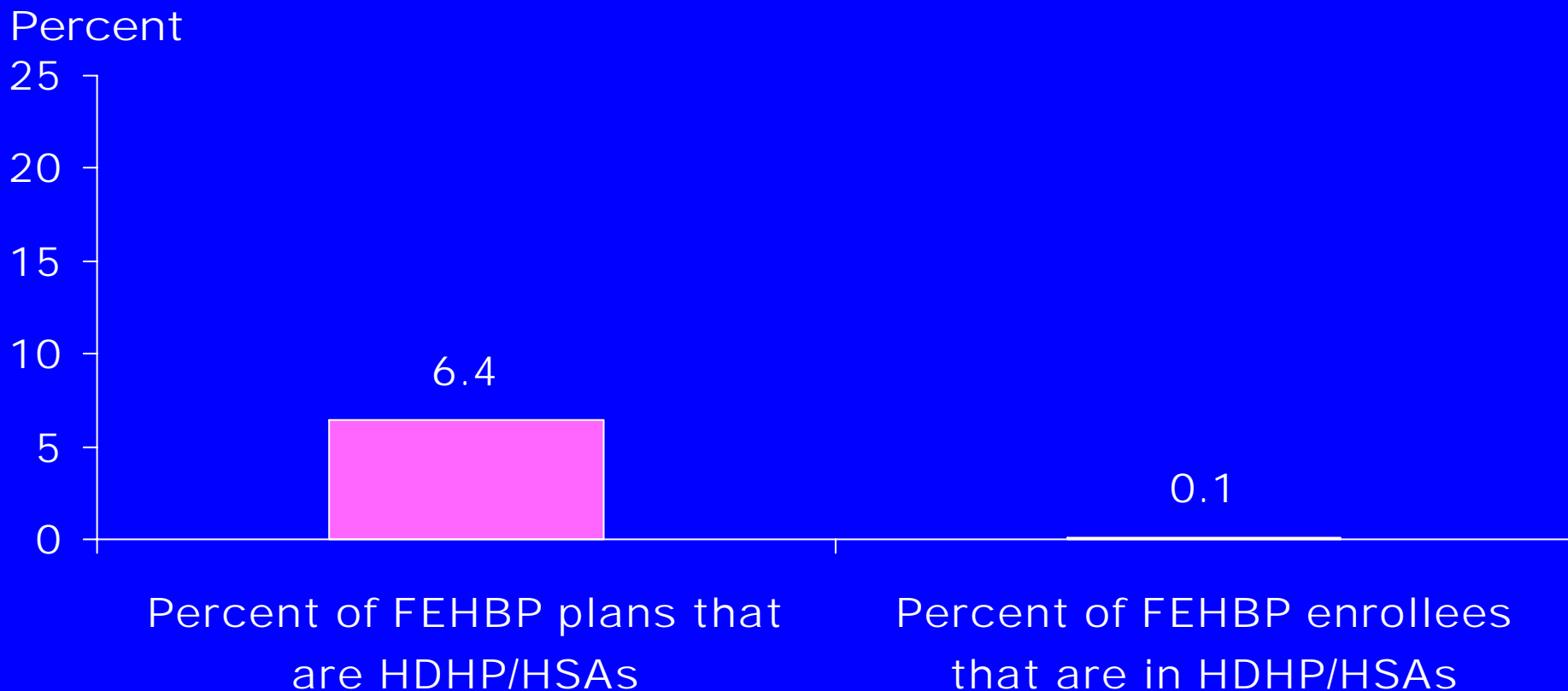
[^] “All plans” refers to all conventional HMOs, PPOs, and POS plans in the survey, not just HDHP/HRA or HSA-qualified HDHPs. Source: Calculated based on: G. Claxton et al., “What High Deductible Health Plans Look Like: Findings from a National Survey of Employers, 2005,” *Health Affairs* Web Exclusive, September, 14, 2005; J. Gabel et al., “Health Benefits in 2005: Premium Increases Slow Down, Coverage Continues to Erode,” *Health Affairs*, September/October 2004.



Choice Within Federal Employees Health Benefit Plan

- How many are joining HDHP/HSAs?
- What is financial impact on employees?
- What is risk experience?
 - Age distribution
 - Income distribution

FEHBP HDHP/HSAs Plans Enroll 7,500 out of 9 Million Covered Lives

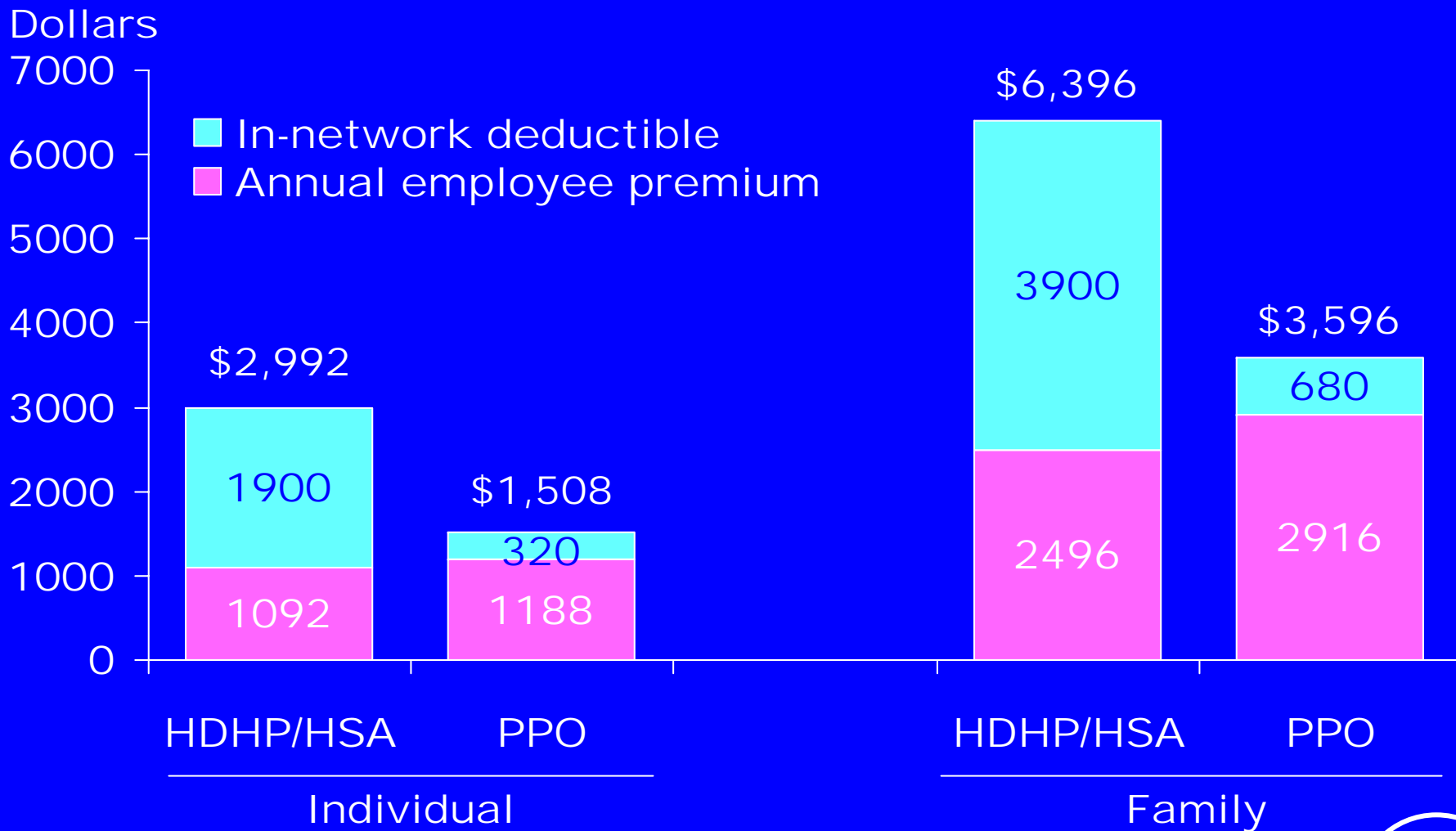


Note: As of March 2005.

Source: Government Accountability Office, *Federal Employees Health Benefits Program First-Year Experience with High-Deductible Health Plans and Health Savings Accounts*, Washington, DC: GAO, January 2006; OPM, <http://www.opm.gov/insure/handbook/FEHBhandbook.pdf>



Cost to Federal Employees Under PPOs versus High Deductible Health Plans

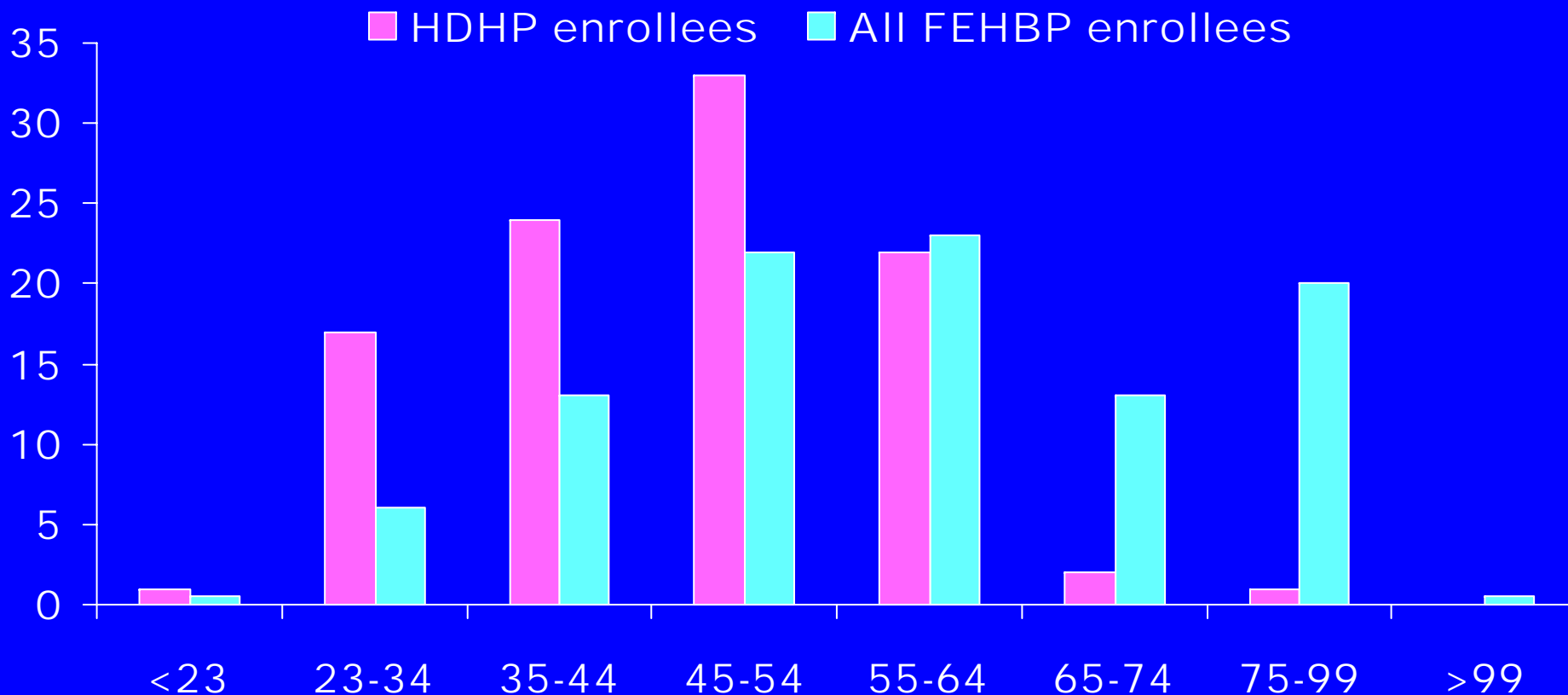


Source: Government Accountability Office, *Federal Employees Health Benefits Program First-Year Experience with High-Deductible Health Plans and Health Savings Accounts*, Washington, DC: GAO, January 2006.



Age Distribution of HDHP and Other FEHBP Enrollees

Percent FEHBP enrollees

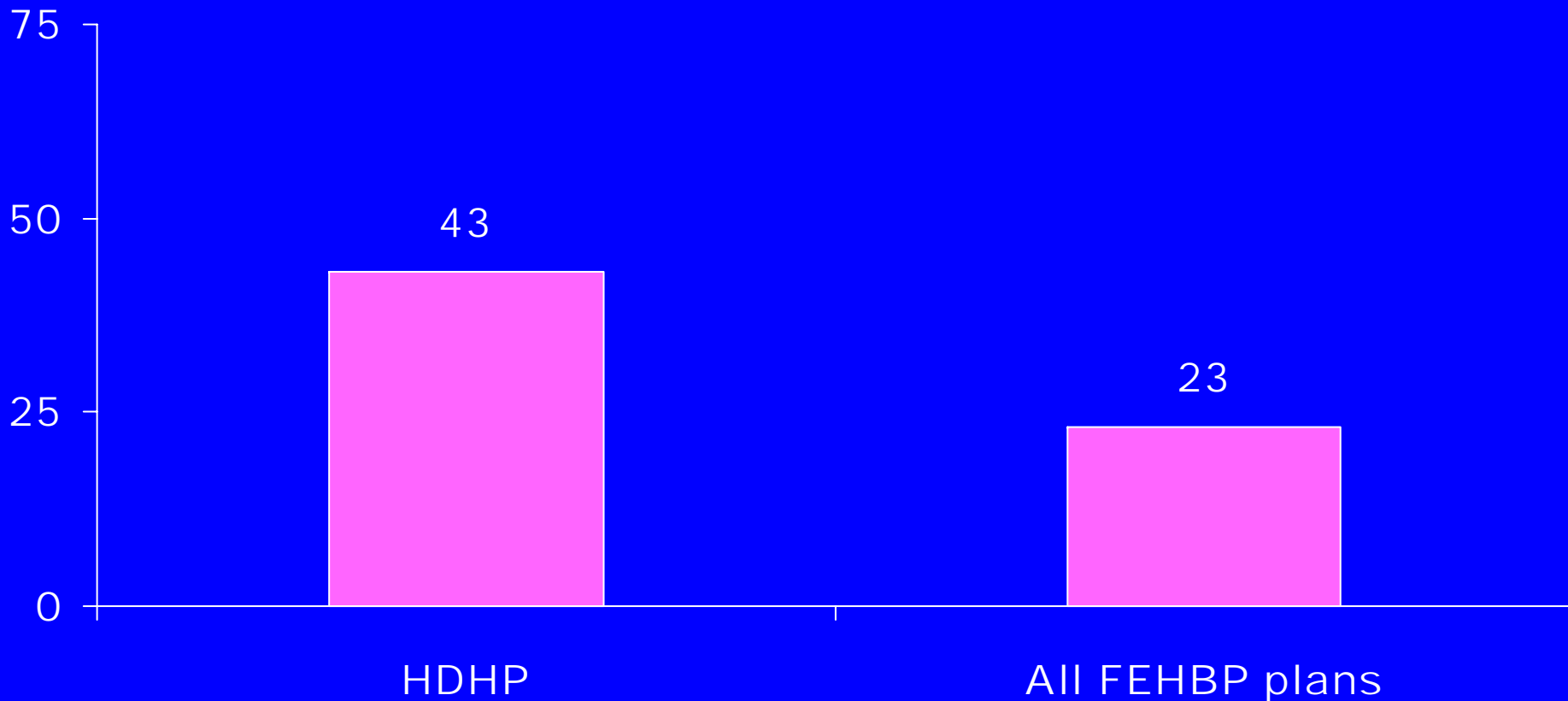


Source: Government Accountability Office, *Federal Employees Health Benefits Program First-Year Experience with High-Deductible Health Plans and Health Savings Accounts*, Washington, DC: GAO, January 2006.



Enrollees Who Chose HDHPs from the Federal Employees Health Benefits Program Are More Likely to Earn Higher Incomes

Percent of FEHBP enrollees with incomes \geq \$75,000



Source: Government Accountability Office, *Federal Employees Health Benefits Program First-Year Experience with High-Deductible Health Plans and Health Savings Accounts*, Washington, DC: GAO, January 2006.

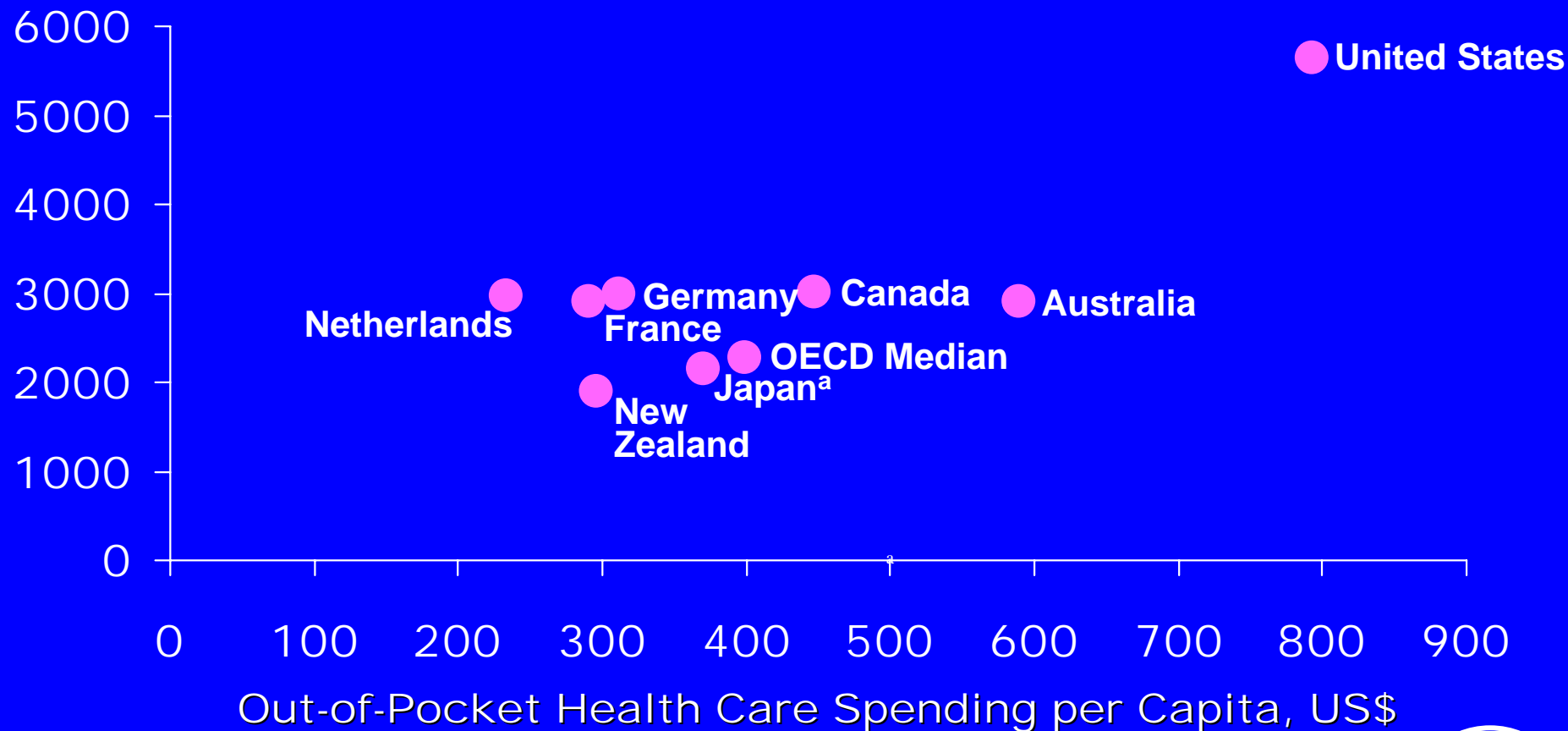


HDHP/HSAs – Wrong Rx for American Health Care

- Costs aren't high because patients don't pay enough – they are high because of the way we organize care and pay physicians, hospitals, and other providers
- Americans already pay a lot out-of-pocket for care
- High deductibles have an adverse effect on access to care for vulnerable populations
- High deductibles add to financial burdens on vulnerable populations and consume savings needed for retirement
- The information on which to make cost-conscious choices is a long way from being available

"Perception that Health Care Is Free"* Is Not the Problem

National Health Expenditures per Capita, US\$



^a 2002

* Allan Hubbard, Director of the National Economic Council, February 14, 2006.

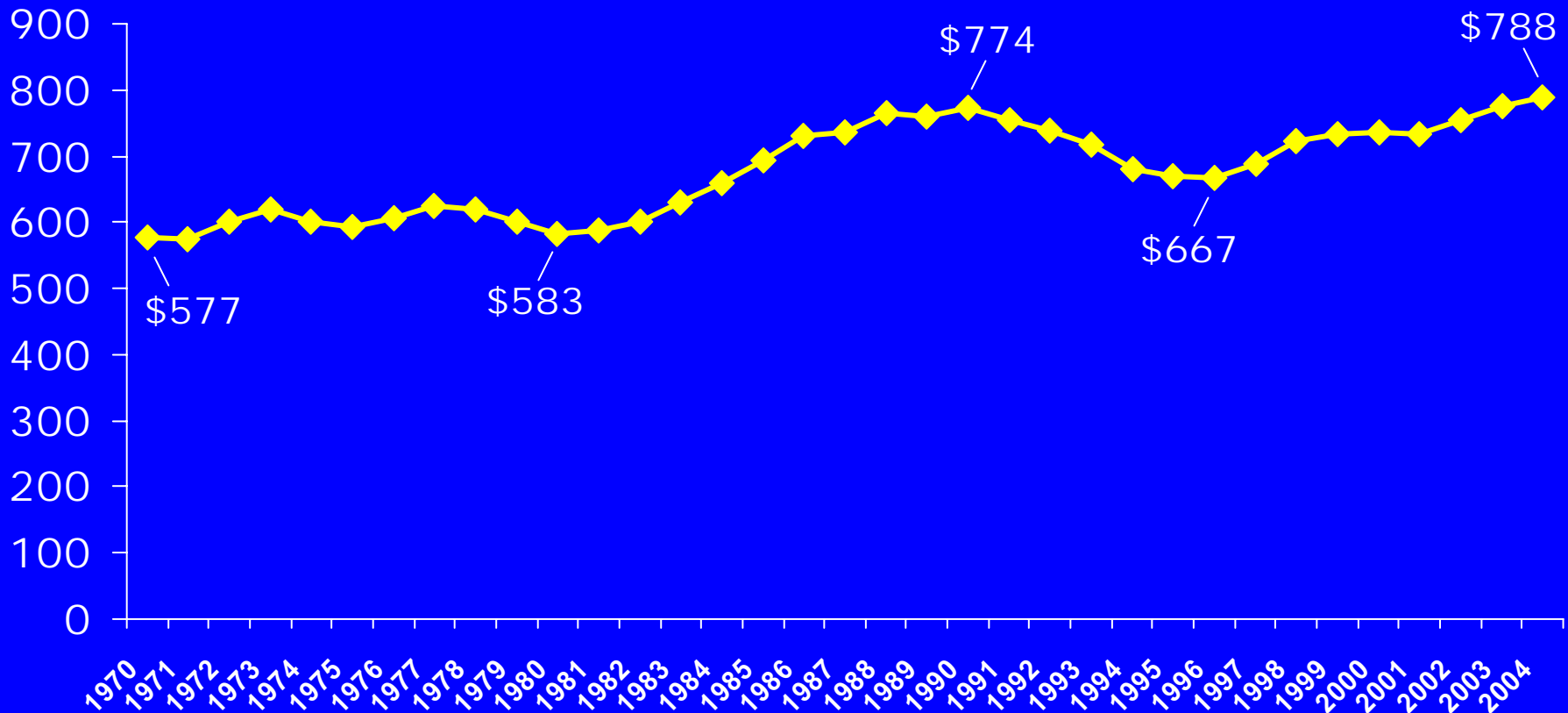
Note: Adjusted for Differences in the Cost of Living, 2003.

Source: Bianca K. Frogner and Gerard F. Anderson, "Multinational Comparisons of Health Systems Data, 2005," The Commonwealth Fund, Forthcoming.



Consumers Spending More Out-of-Pocket for Health Care

Dollars spent per capita (in 2004 dollars)

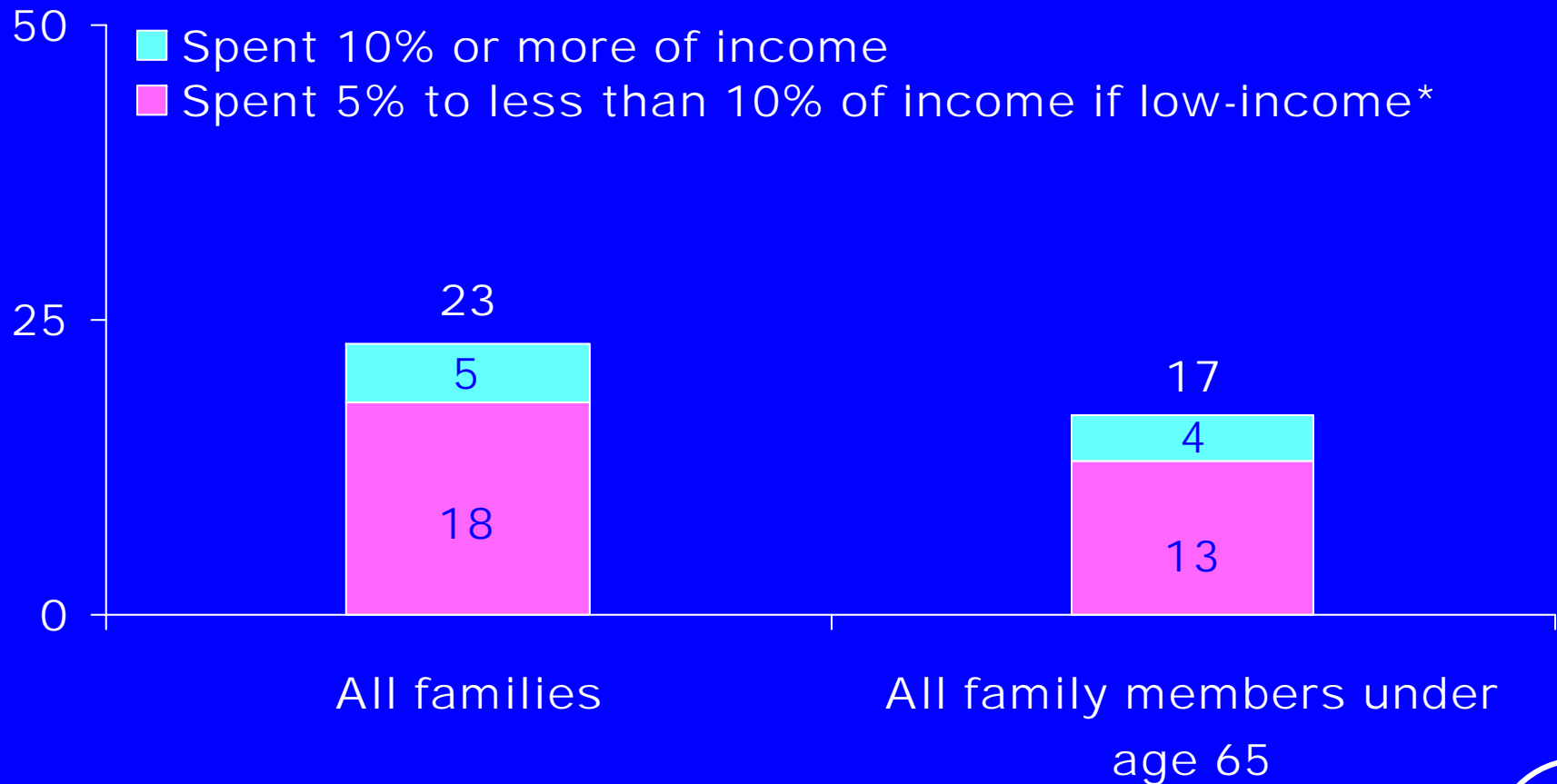


Source: C. Smith et al., "National Health Spending in 2004: Recent Slowdown Led by Prescription Drug Spending," *Health Affairs* 25, no. 1 (January/February 2006); Centers for Medicare and Medicaid Services, National Health Expenditures Data; <http://www.cms.hhs.gov/NationalHealthExpendData/downloads/tables.pdf>



Including Premiums, One of Four Families Had High Costs Relative to Income, 2001-02

Percent of families with high out-of-pocket medical costs and premiums relative to income



OOP = out-of-pocket.

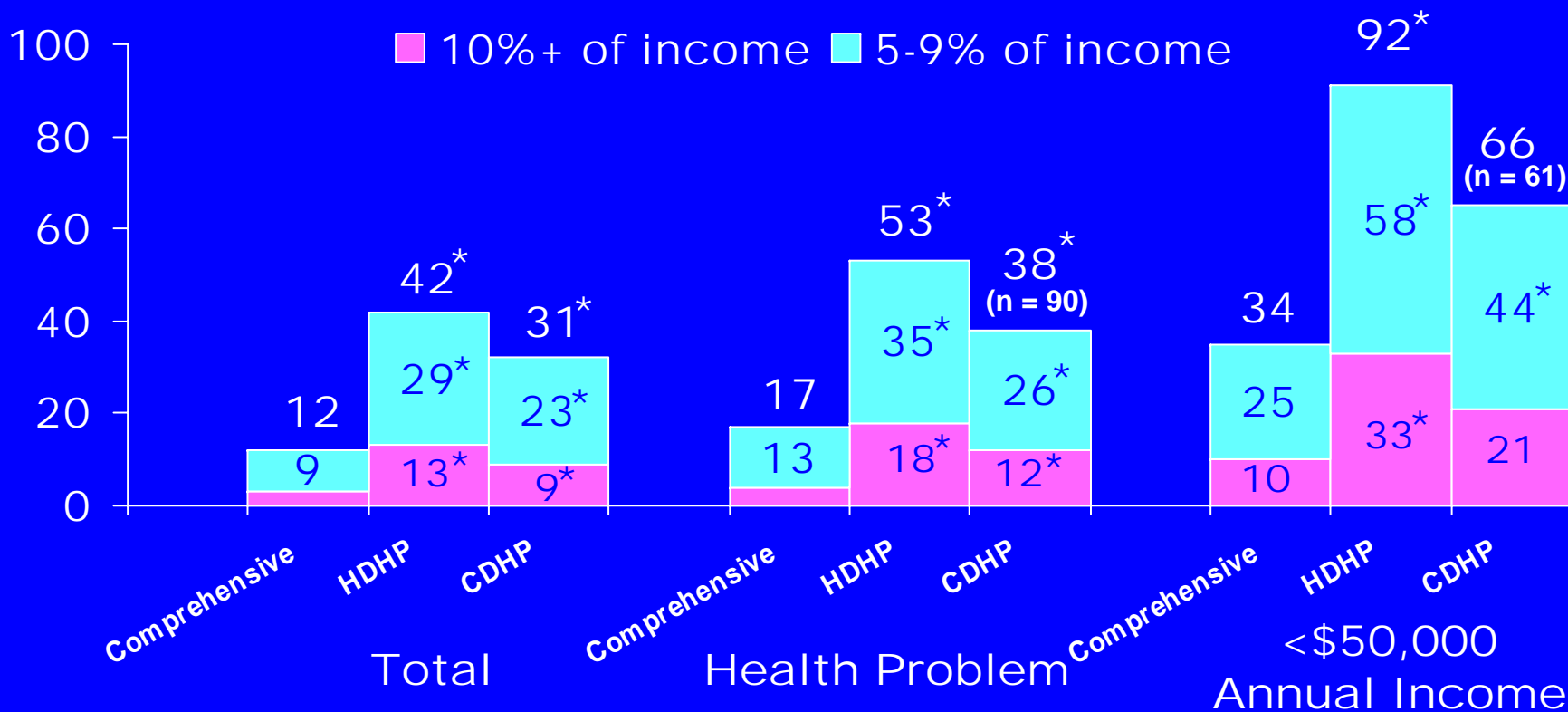
* Low-income includes families with incomes <200% of the federal poverty level.

Source: M. Merlis, D. Gould, and B. Mahato, *Rising Out-of-Pocket Spending for Medical Care: A Growing Strain on Family Budgets*, The Commonwealth Fund, February 2006.



Enrollees of HDHP/CDHPs Spend Higher Percent of Income on Out-of-Pocket Medical Expenses and Premiums

Percent of adults 21-64 spending $\geq 5\%$ of income



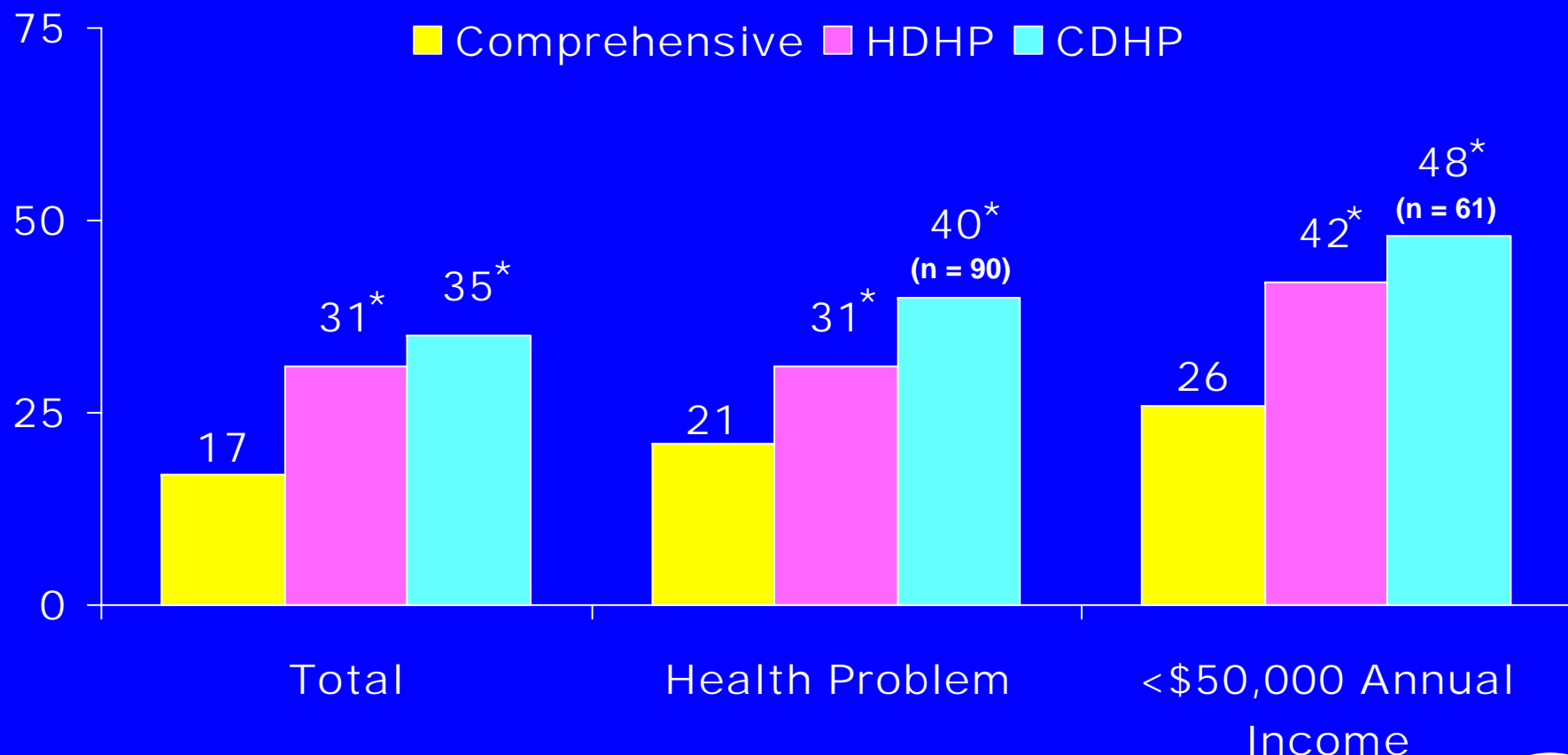
*Difference between HDHP/CDHP and Comprehensive is statistically significant at $p \leq 0.05$ or better.

Source: P. Fronstin, S.R. Collins, *Early Experience with High-Deductible and Consumer-Driven Health Plans: Findings From the EBRI/Commonwealth Fund Consumerism in Health Care Survey*, EBRI Issue Brief, December 2005.



Enrollees of HDHP/CDHPs Are More Likely to Delay or Avoid Getting Health Care Due to Cost

Percent of adults 21-64



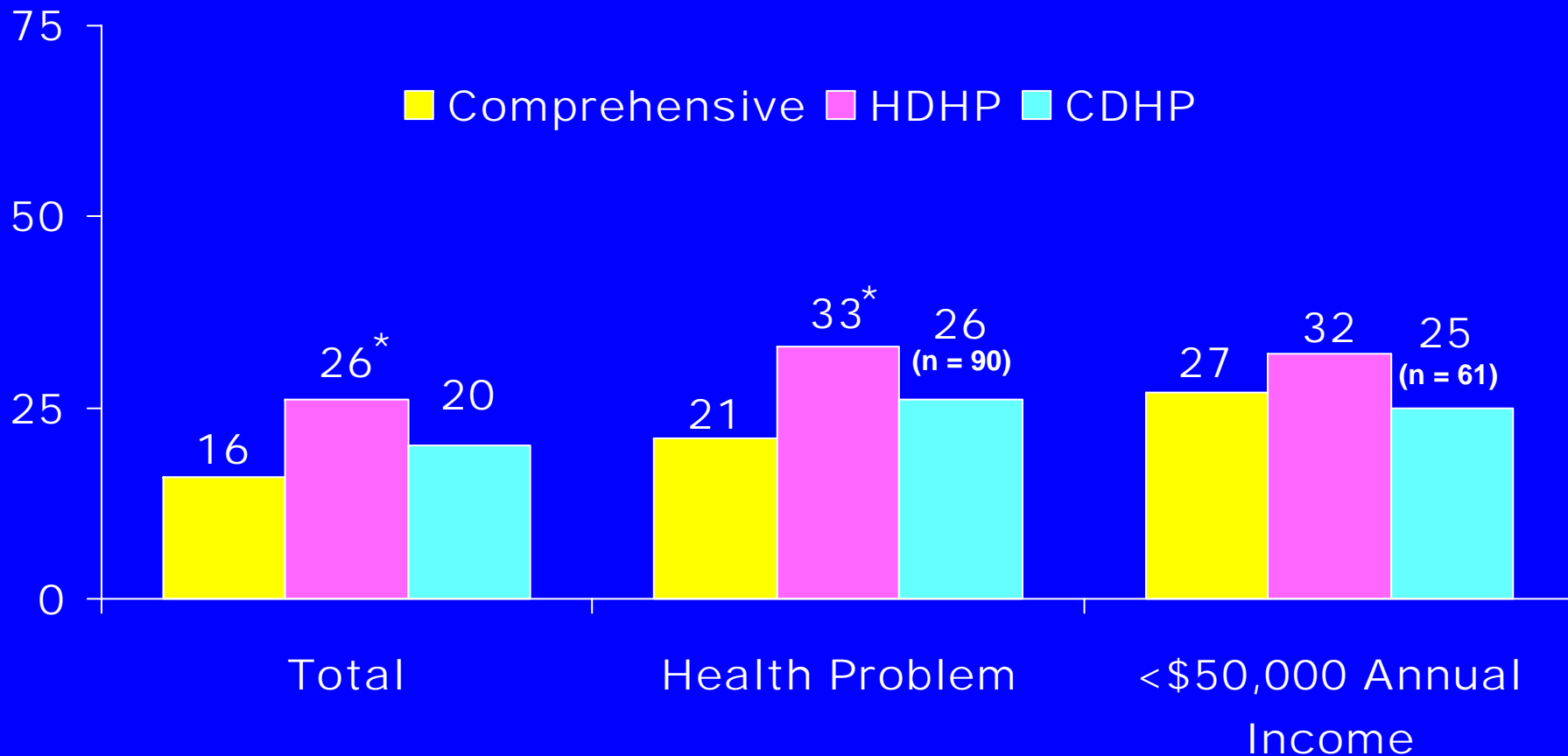
*Difference between HDHP/CDHP and Comprehensive is statistically significant at $p \leq 0.05$ or better.

Source: P. Fronstin, S.R. Collins, *Early Experience with High-Deductible and Consumer-Driven Health Plans: Findings From the EBRI/Commonwealth Fund Consumerism in Health Care Survey*, EBRI Issue Brief, December 2005.



Enrollees of HDHP/CDHPs Are More Likely to Not Fill a Prescription Due to Cost

Percent of adults 21-64



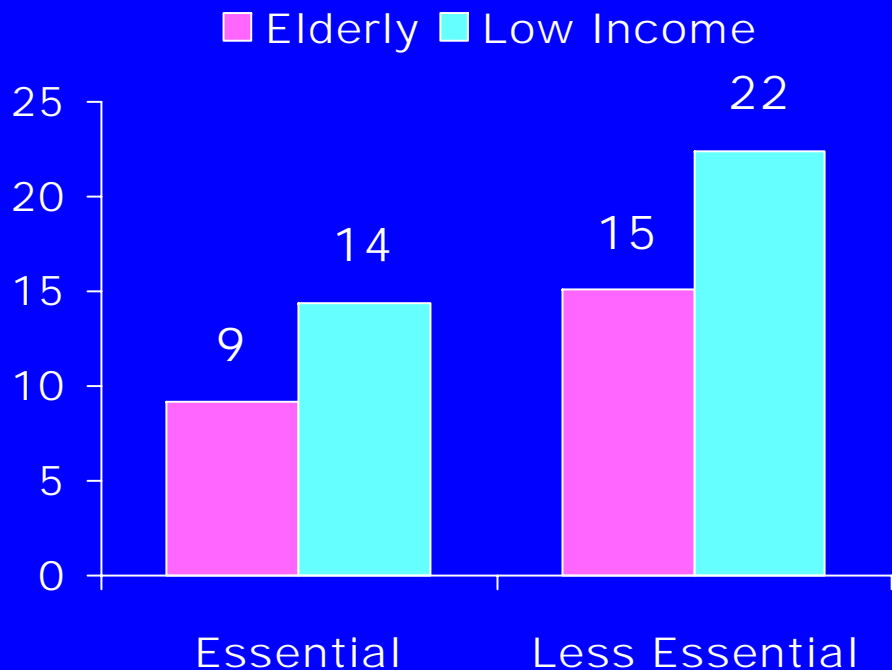
*Difference between HDHP/CDHP and Comprehensive is statistically significant at $p \leq 0.05$ or better.

Source: P. Fronstin, S.R. Collins, *Early Experience with High-Deductible and Consumer-Driven Health Plans: Findings From the EBRI/Commonwealth Fund Consumerism in Health Care Survey*, EBRI Issue Brief, December 2005.

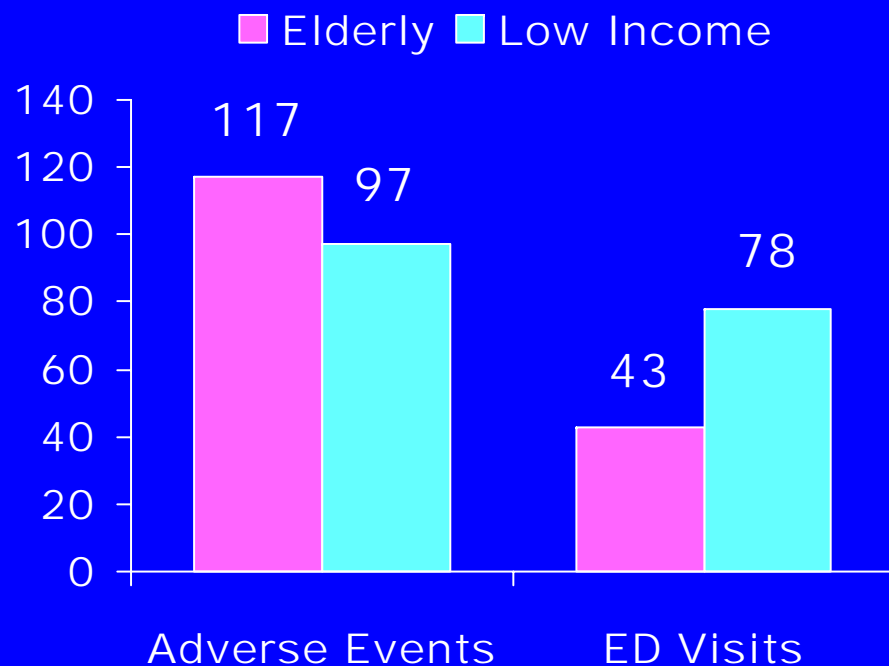


Cost-Sharing Reduces Use of Both Essential and Less Essential Drugs and Increases Risk of Adverse Events

Percent reduction in drugs per day



Percent increase in incidence per 10,000

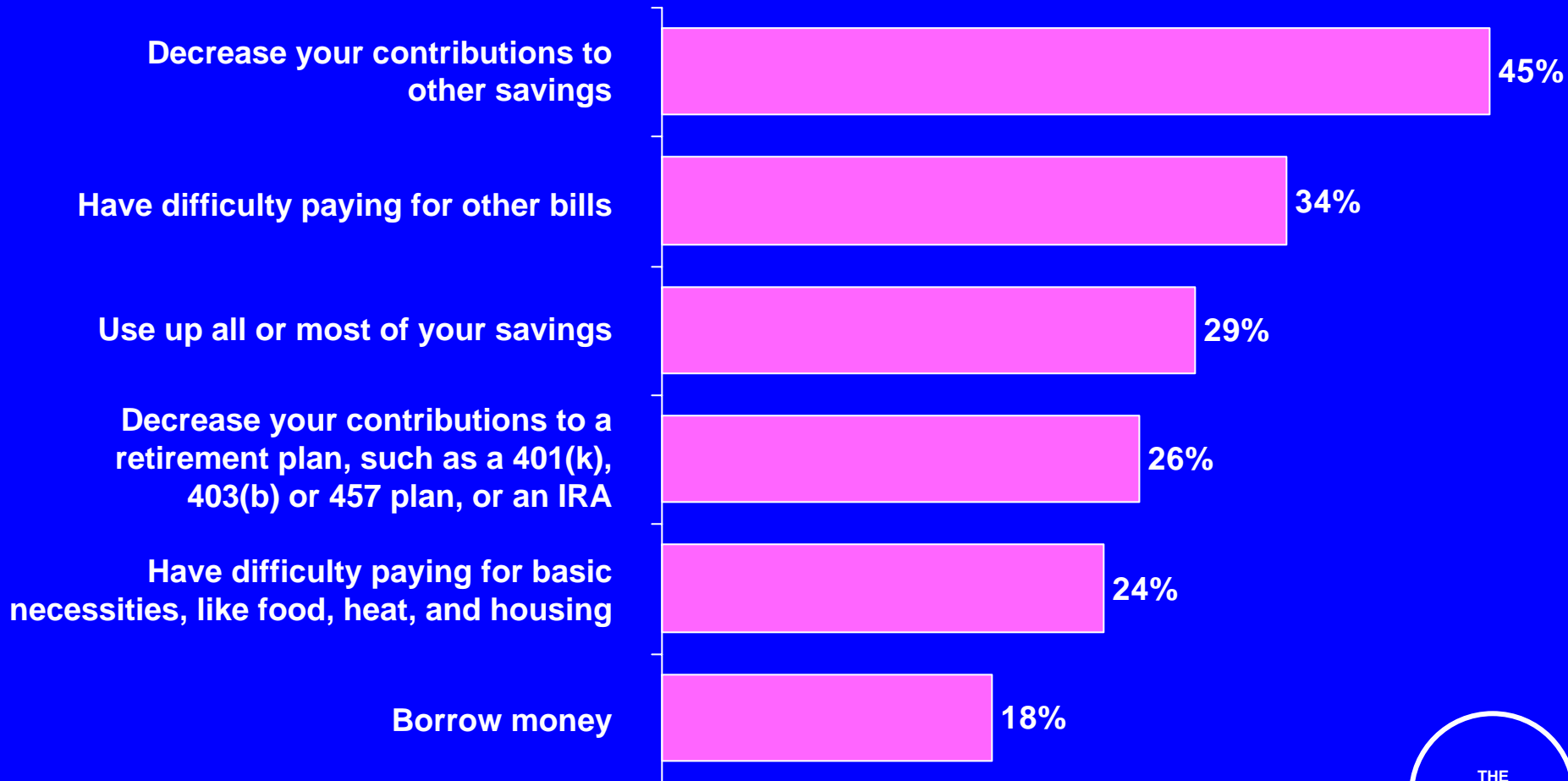


Source: R. Tamblyn et al., "Adverse Events Associated With Prescription Drug Cost-Sharing Among Poor and Elderly Person," *JAMA* 285, no. 4 (2001): 421–429.



Increased Health Care Costs Have Reduced Savings

Has increased spending on health care expenses in the past year caused you to do any of the following? Among those with health insurance coverage who had increases in health care costs in the last year (n=731) (percentage saying yes)



Most Insured Don't Have Quality and Cost Information to Make Informed Choices

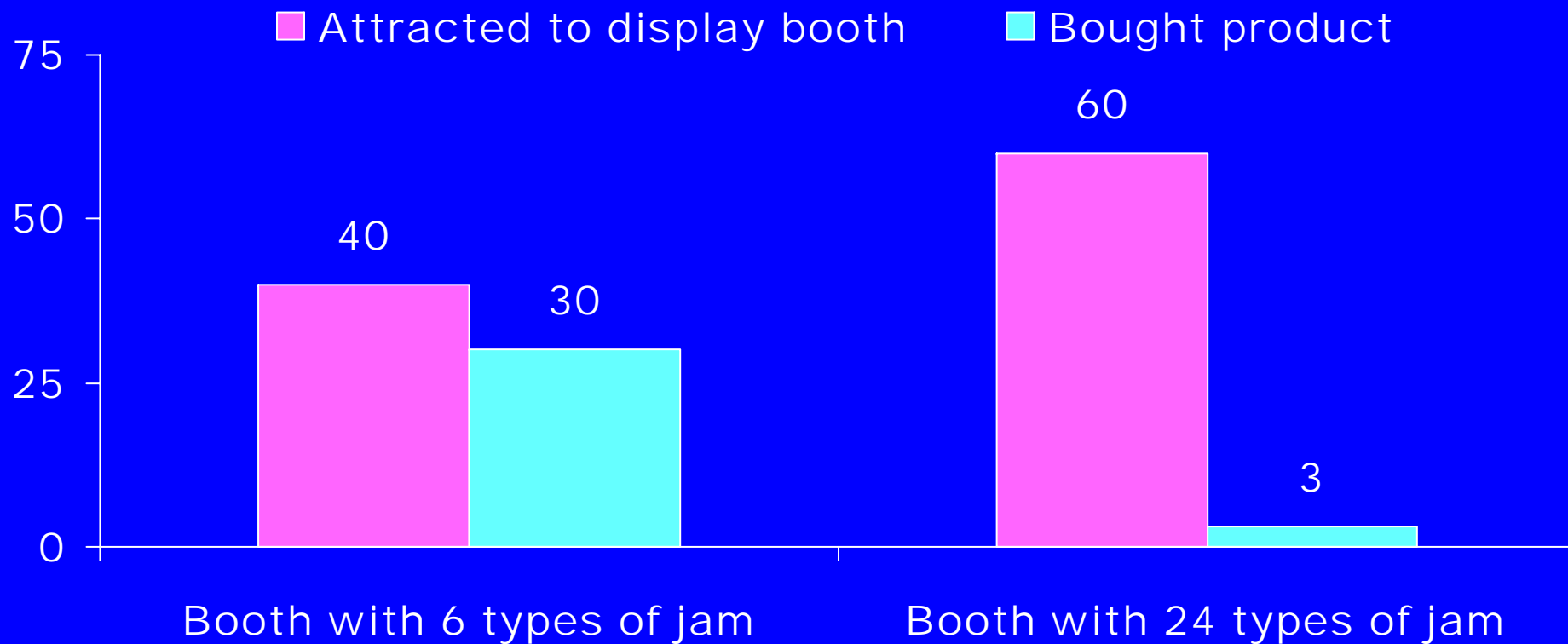
	Comprehensive	HDHP/CDHP
Health plan provides information on quality of care provided by:		
Doctors	14%	16%
Hospitals	14	15
Health plan provides information on cost of care provided by:		
Doctors	16	12
Hospitals	15	12
Of those whose plans provide info on quality, how many tried to use it for:		
Doctors	42	54
Hospitals	25	45
Of those whose plans provide info on cost, how many tried to use it for:		
Doctors	15	36 (n = 76)
Hospitals	14	32 (n = 76)

Source: P. Fronstin, S.R. Collins, *Early Experience with High-Deductible and Consumer-Driven Health Plans: Findings From the EBRI/Commonwealth Fund Consumerism in Health Care Survey*, EBRI Issue Brief, December 2005.



Customers Are Attracted to More Choices, but Too Many Choices Leads to Indecision

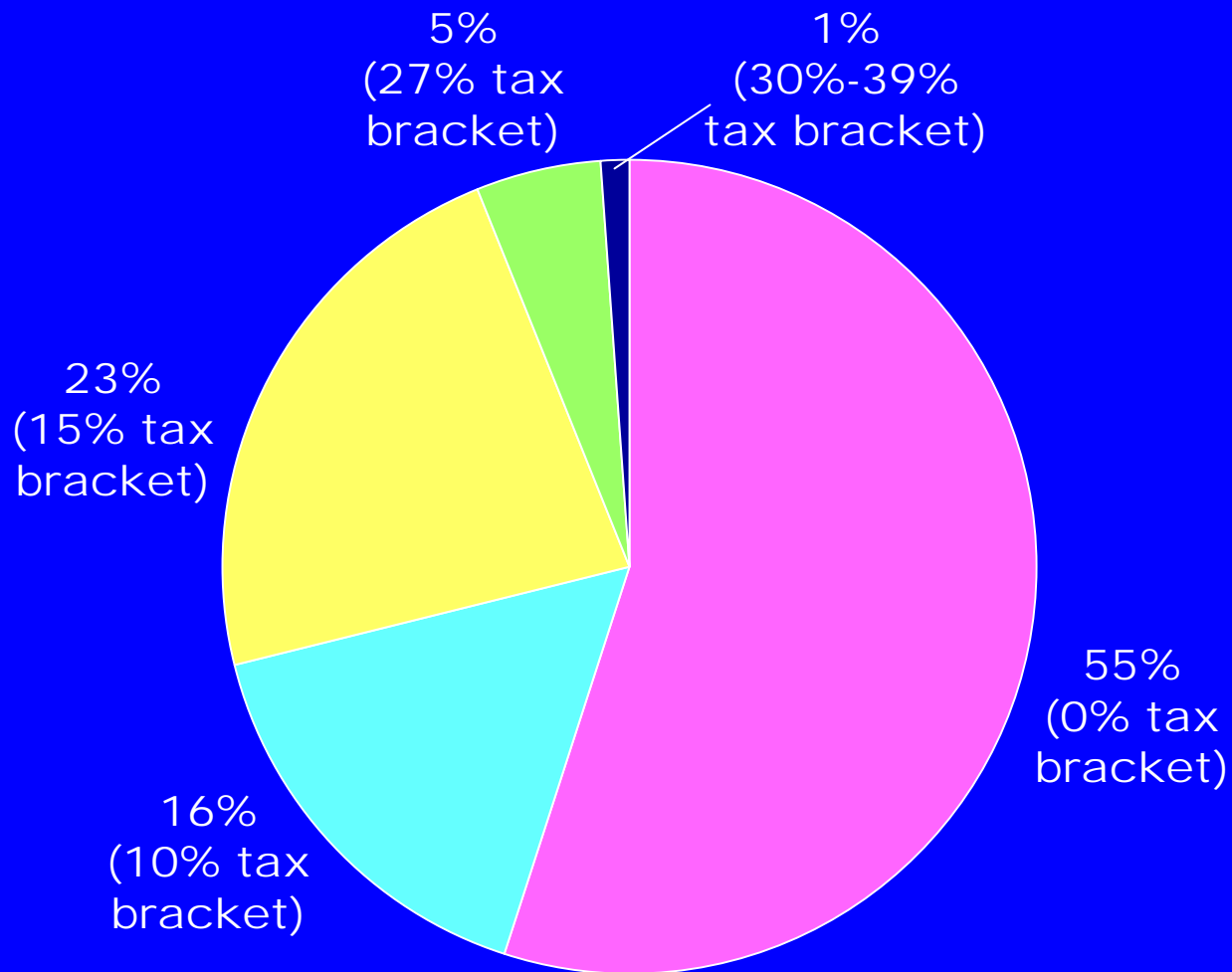
Percent



Source: S.S. Iyengar and M. R. Lepper, "When Choice Is Demotivating: Can One Desire Too Much of a Good Thing?" *Journal of Personality and Social Psychology* 76: 995-1006.



HSA's Won't Solve the Uninsured Problem: Income Tax Distribution of Uninsured

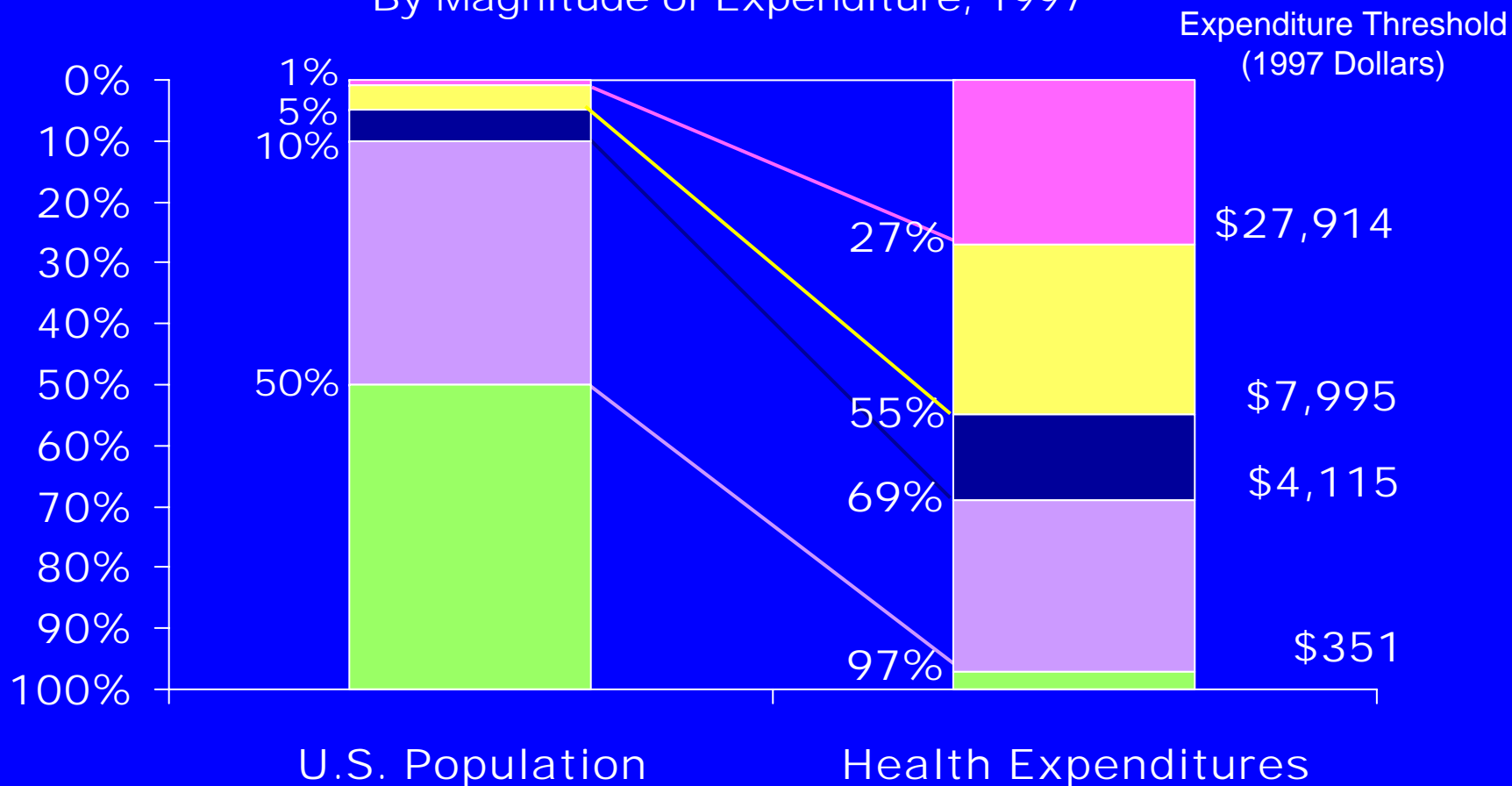


Source: S.A. Glied, *The Effect of Health Savings Accounts on Health Insurance Coverage*, The Commonwealth Fund, April 2005.



HDHPs Won't Solve the Cost Problem: Most Costs Are Concentrated in the Very Sick

Distribution of Health Expenditures for the U.S. Population,
By Magnitude of Expenditure, 1997



Source: A.C. Monheit, "Persistence in Health Expenditures in the Short Run: Prevalence and Consequences," *Medical Care* 41, supplement 7 (2003): III53–III64.



Modifications to HDHP/HSAs to Reduce Potentially Harmful Effects

- Permit employers to lower deductibles for lower-wage workers and qualify for HSAs
- Exempt primary care as well as preventive services from the deductible; exempt prescription drugs essential for management of chronic conditions
- Guarantee choice of a comprehensive health plan to workers covered under employer plans
- Permit greater flexibility in benefit design (e.g. actuarially equivalent benefits)
- Set an income ceiling on eligibility for HSAs to reduce the tax subsidy for high income individuals

Promising Strategies for Improving Affordability and Achieving Savings

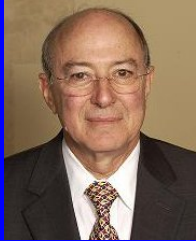
- Better information on provider quality and total costs of care
- Pay-for-performance provider payment rewarding high quality and high efficiency
- Development of value networks of “high performing providers” under Medicare, Medicaid, and private insurance
- High cost care management and disease management
- Improved access to primary care and preventive services
- Investment in health information technology
- National Institute of Clinical Excellence – evidence-based medicine
- Ensuring affordability for families by placing limits on family premium and out-of-pocket costs as percent of income (e.g., 5% of income for low-income)
- Expanded group coverage and reinsurance



Take Away Messages

- Closing gaps in insurance coverage is the number one priority
- A regular source of care improves access to primary and preventive care
- Invest in quality improvement in chronic care, transitional care post-hospitalization
- Information technology and shared decision-making
- Reward high quality and efficient care
- Forge public private partnerships to achieve improved health system performance

Acknowledgements



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