



Consumer-Directed Health Plans: Options for the Small/Medium (And Large) Employer

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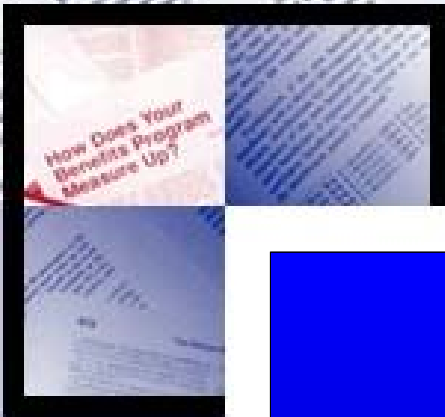
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Is the Status-Quo Sustainable?

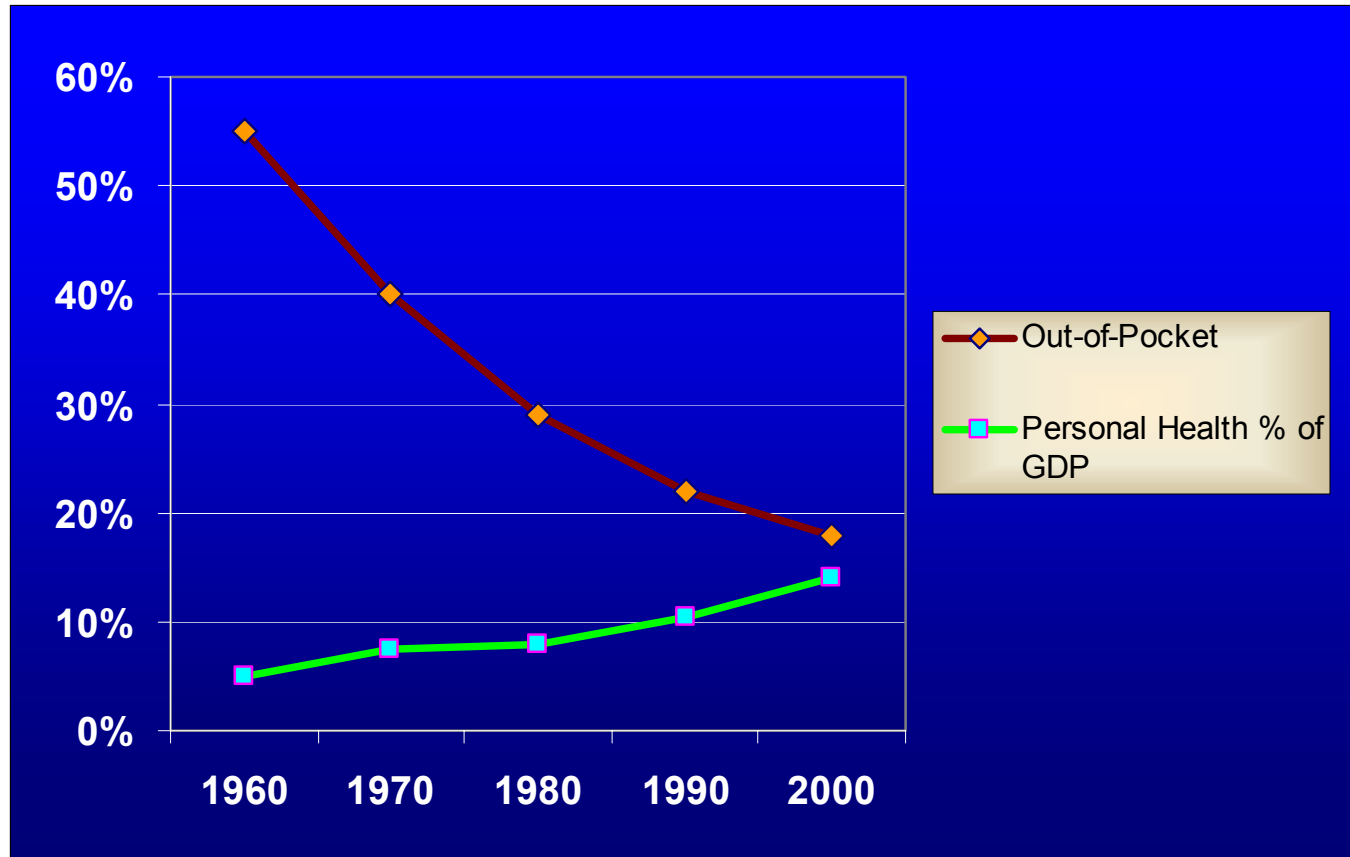
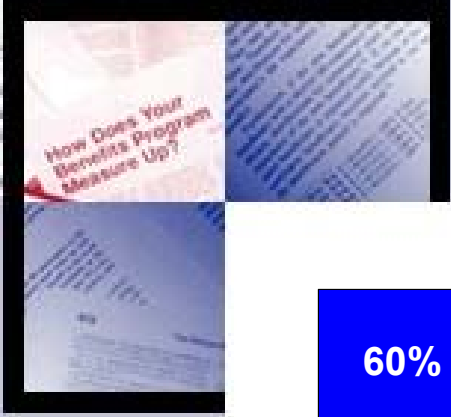


Fifth-year difference per employee: \$2,802

Fifth-year difference per employee: \$4,719

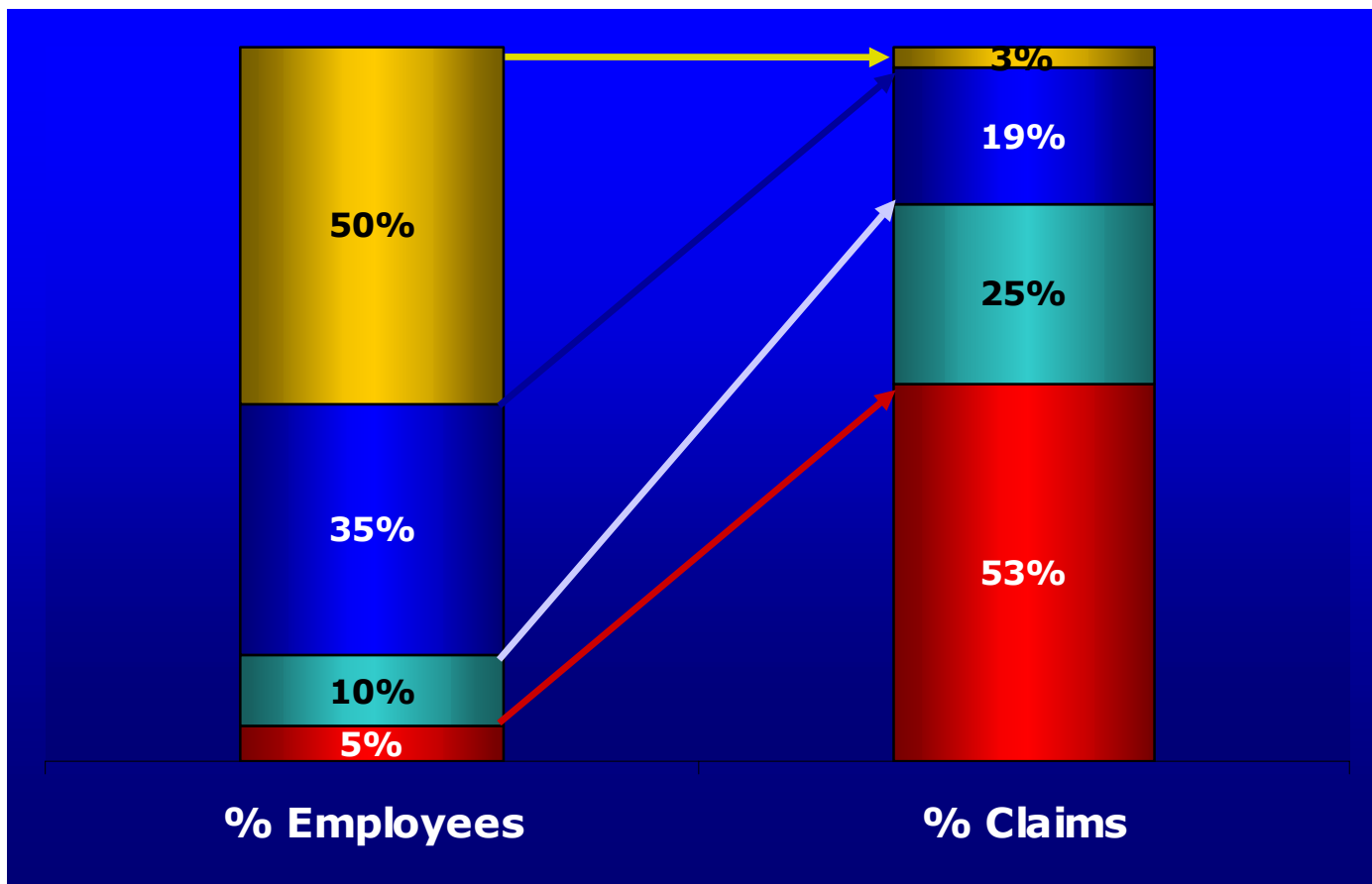
Fifth-year difference per employee: \$6,379

Decline in Out-of-Pocket Share of Personal Health Care Spending in the US: 1960-2000



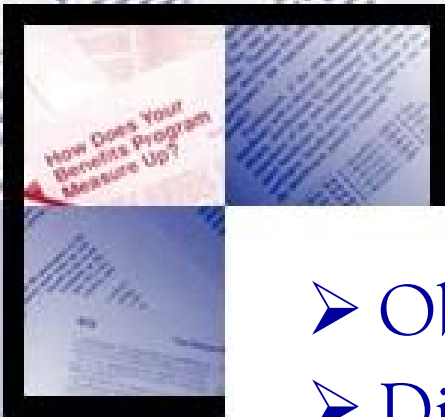
Source: Center for Medicare and Medicaid Services, DHHS
Note: Out-of-pocket expense excludes premium contributions.

Few People, Huge Cost



To be effective, we must change behaviors

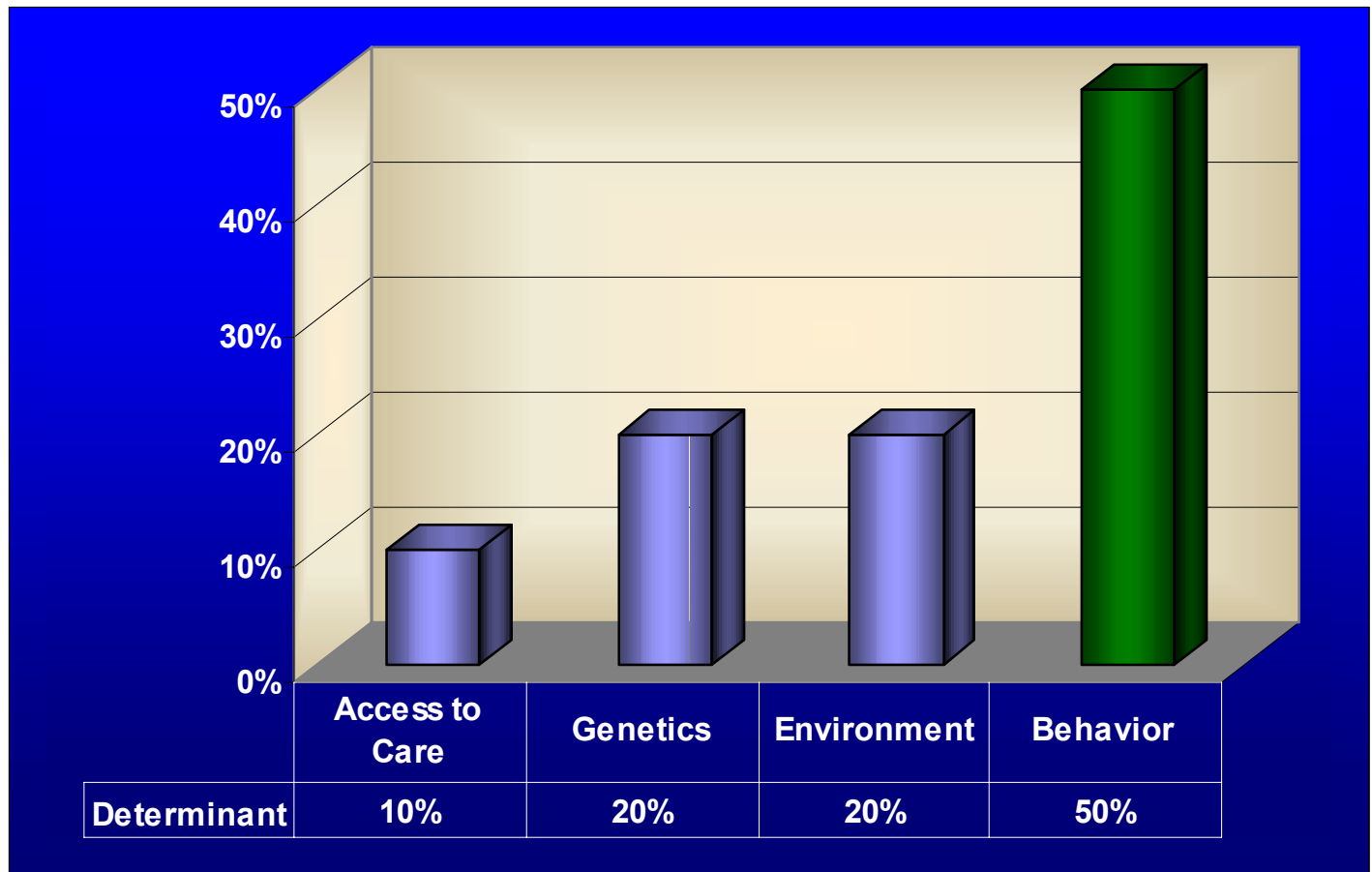
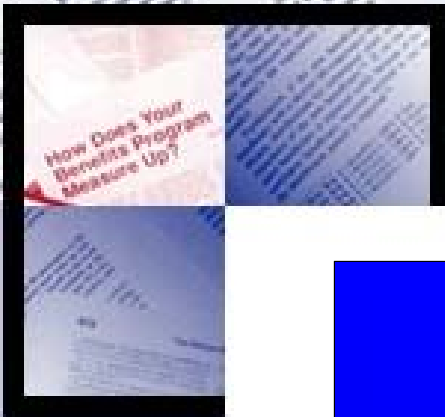
American Lifestyle and Health Costs



- Obesity increased 61% in 10 years
- Diabetes increased 49% between 1990 and 2000
- 60% of Americans do not get enough physical activity to positively increase health status
- 70% of the causes of disease and death are related to modifiable lifestyle behaviors
- Employers pay the price for their plan members' lifestyle choices

Source: Center for Disease Control and Prevention

Determinants of Health Care Cost



Source: IFTF, Center for Disease Control and Prevention



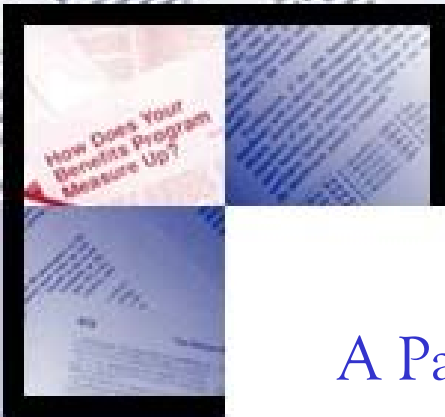
“Long neck bottle, let go of my hand”

– Garth Brooks

Change of Focus

- Can no longer just tweak plan designs
- Plan design affects 85% of participants but only 22% of plan costs
- Must move to managing health status and health care

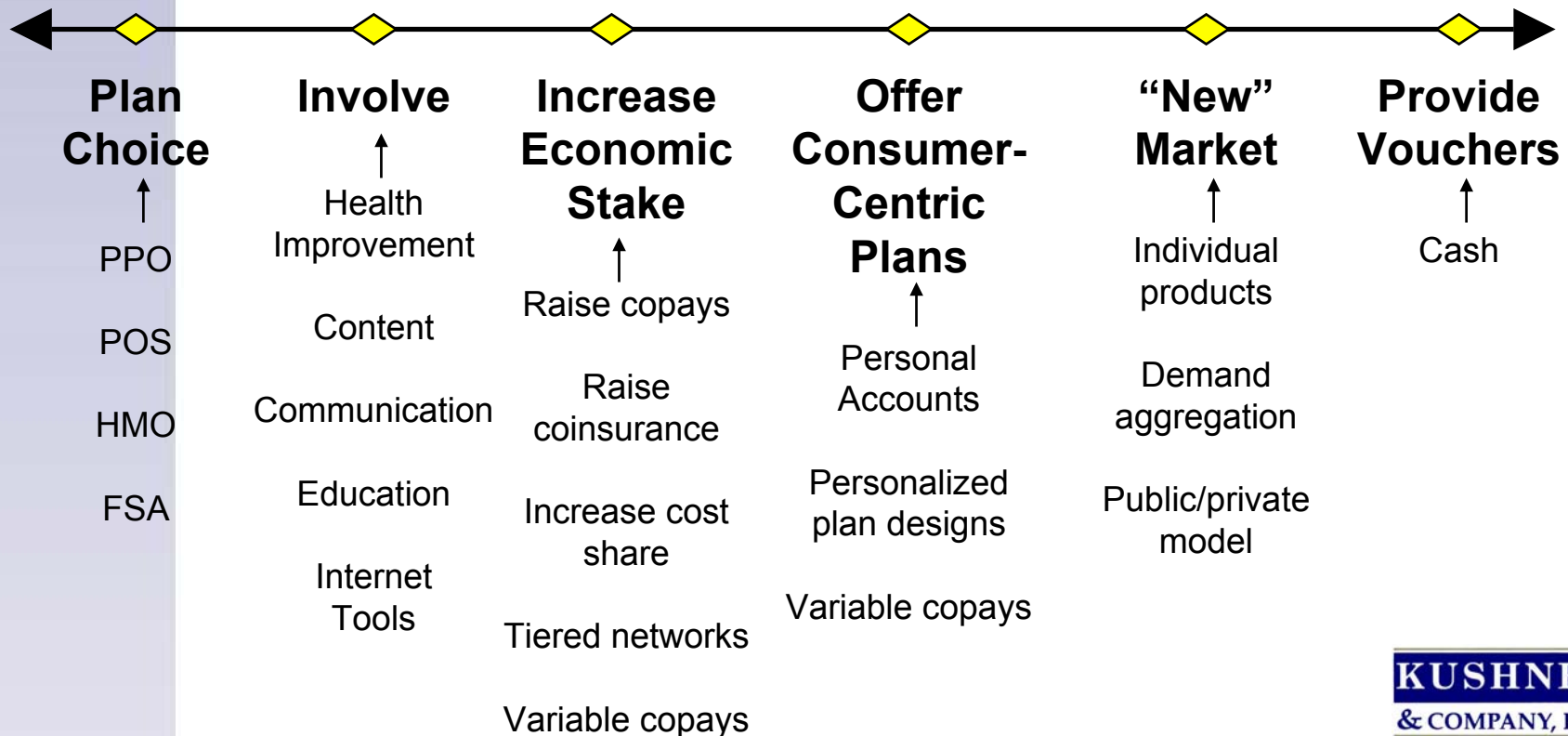
Degrees of Consumerism




A Paradigm Shift, not a Cost Shift

Passive

Active

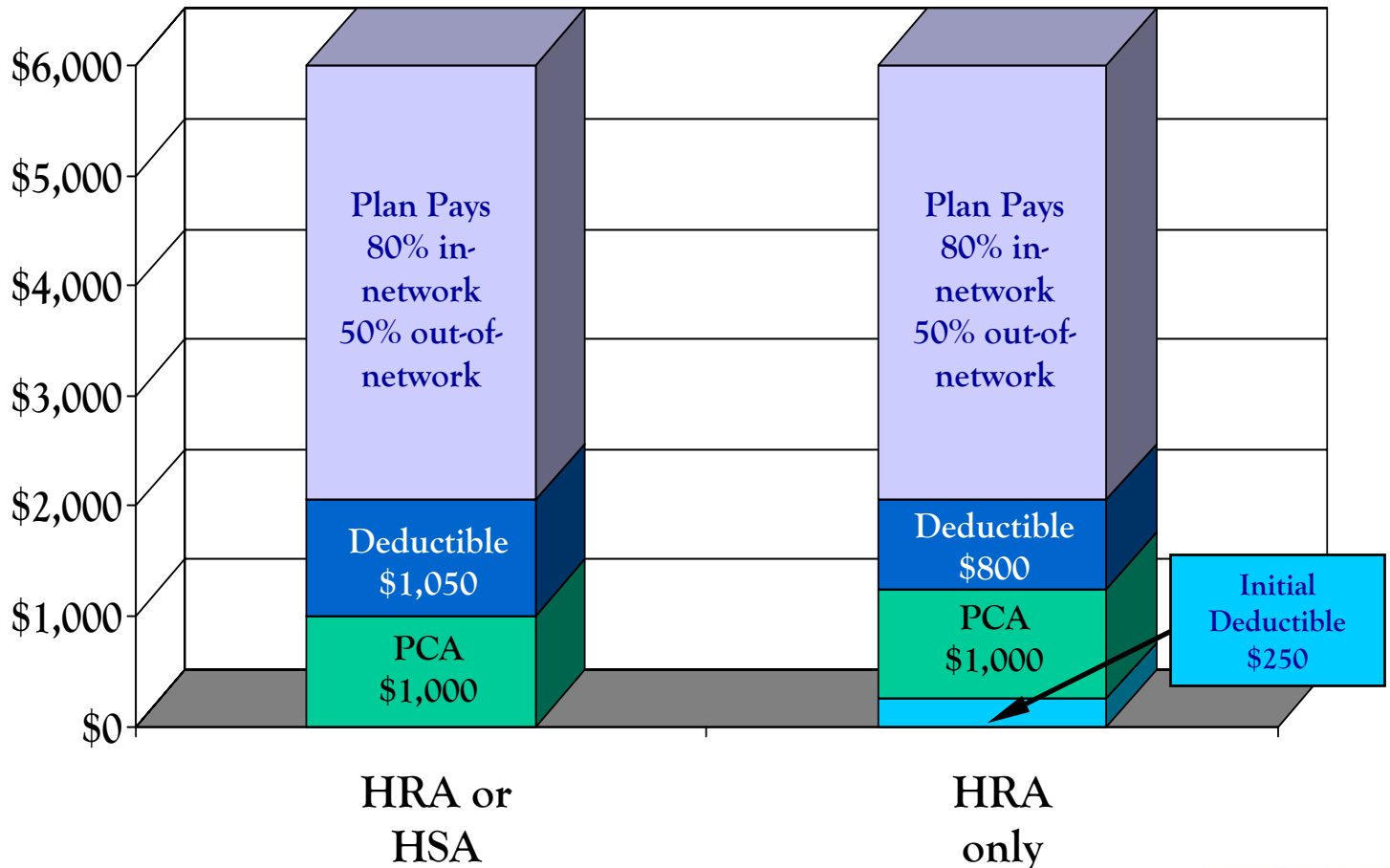


Personal Care Account Types

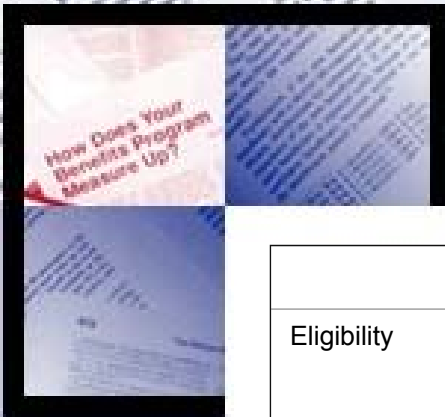
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- Flexible spending accounts (FSAs)
 - Health reimbursement accounts (HRAs)
 - Health savings accounts (HSAs)

Note: All are only tactical “tools” in implementing broader CDHP

Sample Consumer-Directed Health Plans



HSA vs. HRA vs. FSA



	HSA	HRA	FSA
Eligibility	All employees, if participating in HDHP	All employees. No self-employed (e.g., partners, 2% subchapter S shareholders, etc.)	All employees. No self-employed (e.g., partners, 2% subchapter S shareholders, etc.)
Rollover	Yes	Yes	No
Portability	Fully portable – considered employee funds	Employer retains control of funds	Use it or lose it
Advantages	Incentive to use HDHP and manage healthcare dollars carefully; employer and/or employee contributions	Significant plan sponsor design discretion	Employee discretion to manage short term health/dependent needs
Disadvantages	Complexity Limited plan sponsor control over use of funds Self-adjudicated by employee Must be used with HDHP	Not portable Employer dollars only	Low participation Employee termination may lead to negative account balance

CDHP Design Considerations

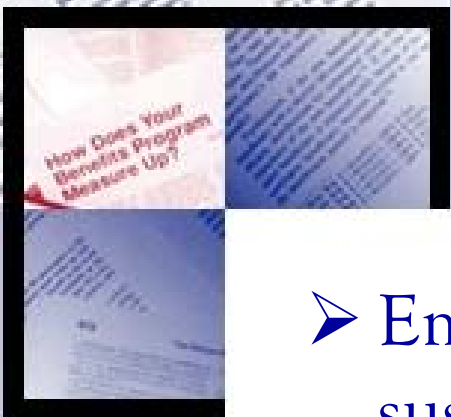
- Replacement versus additional plan
- HSAs, HRAs, and FSAs, oh my
- HRA eligible benefits
 - All IRC §213(d) expenses?
 - Only deductible/coinsurance from underlying plan?
 - Other
- Prevention/wellness carve-outs
- Prescription drug design

CDHP Design Considerations (con't)




- Health risk assessment integration (ongoing)
- Disease management program integration
- Underlying plan design elements
 - Deductible level
 - Coinsurance versus copays
 - Network considerations

Key Principles

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- Employers need to balance cost and sustainability within strategic context
 - Members recognize the impact of personal behaviors and lifestyle choices
 - Plan members become engaged as prudent consumers
 - Fundamental system reform through marketplace and legislative arena

What We Know

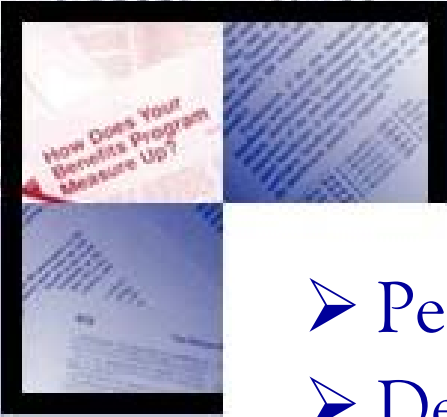
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- If consumerism is simply cost shifting, it will fail
 - Plan designs need to move from copays and 100% coverage to coinsurance
 - We must manage more than design and contributions—we must address health and health status
 - Members need awareness and education to become informed consumers
 - Consumers are not ready to absorb total responsibility today

What We Know (con't)



- We need significant culture change, not a “communication” campaign
- Emerging plans are a work in progress, but can achieve:
 - Better economic models including long-term savings
 - Greater consumer accountability
 - Better administrative and education technology
 - New learning models
 - More self-reliance, self-service
 - Better sense of benefit value and satisfaction
- Focus on key principles, not products!

Next Steps

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- Perform strategic health care review
 - Design with a long-term perspective, then seek appropriate products (not the other way around)
 - Prepare comprehensive educational strategies
 - Provide for ongoing strategic monitoring and plan adjustment, followed by updated education and resources

Questions?

