The TRUTH

About Consumer-Driven Health (CDH)
Addressing the Top CDH Misconceptions

Consumer-Driven Health (CDH) plans require participants to think differently every time they access their health care benefits. The plans require management of a financial account for health care spending purposes and are often designed with larger deductible structures – making the plan participant more accountable for their own health care spending. These factors differentiate CDH from traditional plans and can be outside of a participant's initial "comfort zone." However, many people do not understand CDH in full and are often plagued by confusion and misconceptions.

By removing the confusing messages and intimidation that can greet new CDH consumers, you can educate plan participants, achieve buy-in and support and boost consumer confidence in their health care decisions. Ultimately, dispelling misconceptions up front helps you increase your CDH enrollment and overall plan satisfaction, and modify health care purchasing behavior in favor of your trend.

MISCONCEPTION #1 **CDH is just a cost shifting strategy.**

TRUTH **CDH plans include both cost sharing and cost containment strategies.**

How to address

Stress positive plan benefits that may go unnoticed.

CDH plans can certainly be used to shift costs to members, but we encourage employers to think beyond the mere cost shifting philosophy. CDH plans encourage members and employers to share not only the cost of health care, but also the responsibility of managing assets available to pay down expenses – moving away from the "pre-paid health benefits" mindset.

At the crux of every health expenditure is a consumer that has tremendous influence over medical costs. Exposing members to the true cost of health care instead of insulating them from it brings about behavior change by way of simple economics. Members are brought into the center of the decision-making ring, they play a decisive role regarding where, when, from whom, and at what price they will seek care.

Help your plan participants address the high deductible "sticker shock" by providing solid education highlighting the premium differential, increased decision-making freedom and the often impressive tax benefits. Doing so motivates individuals to become conscientious, savvy health care consumers who seek the highest value for their dollars and create long-term wealth strategies that are directly connected to their health care spending.

MISCONCEPTION #2 CDH plans are too complex and difficult to use.

TRUTH CDH plans are simple and easy to use and similar to many other "save, manage, purchase" experiences we all have in the retail world.

How to address

Take time to get to know your population.

CDH plans can be configured in a variety of ways. UMR offers a great amount of flexibility in plan design. We encourage employers to take the environment within their current member population into account when designing their benefit structure; ensuring your strategy is matched to the knowledge, readiness, abilities, and preferences of plan members.

Designing a multi-year, incremental strategy to introduce CDH and work year-over-year to increase plan participation is one of the most successful methods of implementation. UMR offers a consultative approach to plan design. We provide survey tools, readiness assessments and thought leadership on how to best arrange your plan to ensure the design is well-matched to your population and set up so everyone can succeed.

MISCONCEPTION #3 CDH plans are hard to understand and communicate.

TRUTH CDH is different, yet easy to understand.

How to address

Implement tailored communication plans that span the plan year.

CDH at its core is not difficult to understand. Different, yes. Difficult, no. Plan participants need to see material that is easy to understand and personal. They need to see it repeated during times that are of critical importance in the plan life cycle.

UMR offers progressive survey and assessment tools which help us understand your population and how to best communicate with them. We encourage frequent and consistent communication throughout the plan year. Many plan participants choose their health benefits with conceptual knowledge of the plans work through open enrollment training, but lack the day-to-day tactical knowledge that is required to engage their benefits at ground level.

UMR offers consultative communication planning, including communication roadmaps with key events throughout the plan year. We also offer an extensive library of print and e-mail communications to choose from with the ability to customize to meet your specific needs. Consumer education campaigns that are initiated early and continue throughout the consumer life cycle are an essential part of helping employees navigate their plan benefits with ease.

MISCONCEPTION #4 CDH is just a fad.

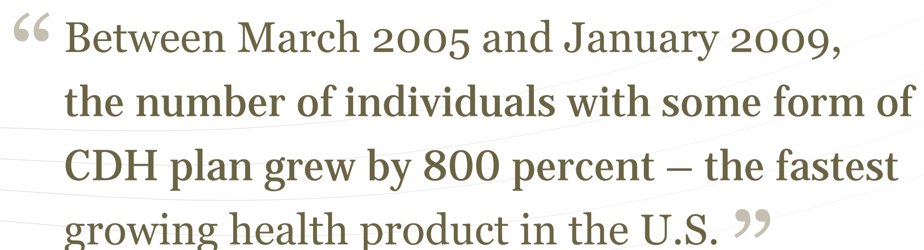
TRUTH CDH products may be considered new, but they are not a fad.

How to address

Provide history and context on CDH plans.

CDH plans appeared on the market in the late 1990s as business models for venture firms looking to disrupt the existing health care models. By 2003, congressional acts and provisions formalized the plans under the Medicare Prescription Drug, Improvement and Modernization Act.

Between March 2005 and January 2009, the number of individuals with some form of CDH plan grew by 800 percent – the fastest growing health product in the U.S. (faster comparable growth than even the HMO concept when it was first introduced). By some counts nearly 20 million members across the U.S. now participate in consumer-driven, account-based health plans and the numbers continue to grow.



MISCONCEPTION #5 **CDH plans are only for the healthy and wealthy. Those in need will forgo even the most necessary care.**

TRUTH **CDH plans offer benefit value across a wide range of participants, regardless of health status and/or financial "wellness."**

How to address

Offer rich preventive coverage, incentives, wellness and disease management programs and attractive post-deductible benefit structures.

Studies show CDH plans attract the same mix of members across the health status continuum as other traditional plans. Initial forecasts for CDH expected that the profile enrollee would be young, healthy and unmarried. Actual results across the industry prove out that average participant age is 40-plus with more than 2.1-plus members per household.

We encourage adding several components to your plan design to serve the needs of all members. First, offer a rich, 100 percent coverage preventive care benefit to encourage the healthy to maintain their health status and for those in need of improvement, an opportunity to assist in identifying areas of focus. Due to health care reform, all insurance plans renewing on or after Sept. 23, 2010, will be mandated to offer preventive care first-dollar coverage without cost-sharing components.

Second, offer incentives for people to work toward better health – whether that is as simple as taking an online educational tutorial on weight management, or as powerful as physically lowering their body mass index (BMI). Incentives create an attractive opportunity for participants to actually reduce out-of-pocket financial exposure and make plans more affordable.

Third, offer wellness and disease management programs to identify your at-risk population. Provide tools and resources to help them work toward better health.

Lastly, it is worth highlighting to your employees that there is protection in place for large health care expenses. For the percentage of the employee population that manages chronic conditions, or who are more likely to satisfy their deductible during the plan year, we encourage employers to offer a rich post-deductible benefit, such as a 90/10 split or 100 percent coverage.

MISCONCEPTION #6 **CDH plans only provide tax shelters for the wealthy.**

TRUTH **Tax-advantaged health savings accounts provide real value, regardless of income level.**

How to address

Population-based education and seed money.

Consumer accounts encourage and provide incentives for everyone, regardless of income, to save for future health care expenses. HSAs are one of the most attractive savings vehicles available in the marketplace due to triple-tax advantages:

- Tax-free contributions
- Tax-free interest earning
- Tax-free withdrawals for qualified expenses.

With consumer-driven plans becoming more popular and Medicare covering just above 50 percent of all retiree expenses, members are increasingly responsible to share costs of their health expenses. CDH plans shift behavior toward true consumerism – helping participants make better purchasing decisions, such as avoiding the emergency room for anything other than a true emergency, and seeking generic over brand prescriptions. In addition to a more watchful eye on current health care expenses, CDH plans also encourage financial accountability for future medical costs.

Evidence continues to grow around the fact that strikingly low levels of health care and financial literacy can have a detrimental effect on how employees select and use benefit plans for themselves and their families. Some critics believe that socio-economic status also greatly influences the plan selection, but actual HSA/qualified high deductible health plan (QHDHP) enrollment patterns have not matched that perception. Income levels certainly impact benefit selections in a general sense but have not materialized as a prohibitive obstacle toward HSA/QHDHP enrollment. Rather, lack of proper education and communication surfaces as the largest barrier to plan success. Therefore, it becomes increasingly important to educate and inform employees based on their aptitudes, knowledge levels and readiness. This is a necessary step in ensuring the entire population capitalizes on the benefits available to them.

We also recommend providing seed money to employees in order to minimize hesitation to enroll in CDH plans due to deductible structures. Seed contributions from employers help offset deductible cost, reducing anxiety around financial exposure for many employees and making CDH a more attractive option. Most employees spend less than $500 on health care utilization annually, so seeding the accounts with $500 allows many employees the opportunity to pay very little and/or to build upon funds remaining from previous plan years.

“Consumer accounts encourage and provide incentives for everyone, regardless of income, to save for future health care expenses.”

MISCONCEPTION #7

Health care reform will wipe out CDH plans, so why bother to offer them?

TRUTH

CDH plans survived health care reform with little impact.

How to address

Make sure members are updated on reform and the impact to CDH plans

Much discussion has taken place on health care reform and the impact it could have had on CDH plans. When the reform dust settled in late March 2010, it resulted in minimal impacts to CDH plans. HRAs, HSAs and FSAs are still viable products, which are expected to experience continued growth and remain strikingly similar to their pre-reform versions.

Most of the changes enacted by the reform will be nominal to account holders. Regulation changes include:

- Revisions to the definition of qualified medical expense
- Excluding over-the-counter (OTC) medications without a prescription from being reimbursed as a qualified medical expense in 2011.
- In 2013, a contribution limit to FSAs will be placed at $2,500.
- The tax penalty for using HSA dollars for non-qualified expenses has increased from 10 percent to 20 percent beginning in 2011
- Plans are required to provide first-dollar preventive care without any cost-sharing or deductible application by plan renewal on or after Sept. 23, 2010.

> "The universe of effective consumer decision support tools continues to expand and support the evolution of savvy consumer purchasing in health care."

MISCONCEPTION #8

CDH plans require employees to "shop" for medical care, but there is no way for employees to get information on prices and quality.

TRUTH

Decision support, transparency and analysis tools are available to members, equipping them for true consumerism in health care decisions.

How to address

Point them to the right tools, early and often.

The universe of effective consumer decision support tools continues to expand and support the evolution of savvy consumer purchasing in health care. True consumers are educated about their purchasing decisions. They have done their research for the product/service they are purchasing. They know the market rate. They know what value and quality to expect. They've researched the seller or provider of the product and they know how to evaluate the product/service once received.

It is the same behavior most savvy consumers exhibit in purchasing a car, a vacation, or hiring a contractor to work on their home. This is the same behavior CDH plans and decision support tools encourage in the health care purchasing arena. A variety of tools are available to UMR members that assist them in transitioning to consumerism. They help them select the best physician/facility based on the need, understanding and estimating procedure and treatment/prescription drug costs and comparing facilities and the services they offer.

The ability to estimate expenses in advance of the service helps members in their financial planning goals. It transitions them to becoming true consumers who seek the highest value for their dollar. Help your members become smart purchasers by communicating and marketing the use of these tools early in the plan transition and continue to point them toward the tools throughout the life of the plan.

Find out more...

To learn more about the complete UMR consumer-driven health care solution, contact your UMR representative.

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