



## Consumer-Directed Health Plans

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## Presentation Overview

- Different types of CDHPs
- What do we know?
  - Uptake
  - Utilization
  - Spending
  - Satisfaction
- Implications for states



## Consumer-Driven Health Plans

### *A New Paradigm?*

- Health care costs continue to rise
- Rate of uninsured continues to rise
- Past approaches have not worked
  - Traditional health insurance (until early 80's)
  - Regulated prices for government programs (until early 90's)
  - Managed care and purchaser power (until early 00's)
- New solution- CDHPs?
  - Shift of power to cost-conscious, educated consumers



## What are CDHPs?

- Common characteristics
  - High deductible insurance plan
  - Personal account to pay for care
  - Gap between the annual amount in account and deductible
  - Internet-based decision support
- Basic Models
  - **Account-based plans**
    - Most prominent model today
  - **Tiered-benefit models**
    - **Premium-tiered models:** higher premiums for looser network, looser utilization management, or more generous coverage
    - **Point-of-care tiered models:** higher copayments for providers in higher tier



## Different Types of CDHPs

- **Health Savings Accounts (HSAs)**
  - Portable accounts owned by individuals
  - High deductible health plan required
- **Health Reimbursement Arrangement (HRAs)**
  - Employer funded accounts that stay with employer
  - High deductible health plan not required
- **Archer Medical Savings Accounts (MSAs)**
  - Portable accounts for small firms (<50) and self-employed
  - High deductible health plan required
- **Flexible Spending Accounts (FSAs)**
  - Employee funded with pre-tax dollars
  - Use it or lose it at year's end



## HRAs versus HSAs

- **HRAs**
  - Available only through employers, who must contribute
  - No HRA payout until an employee makes a claim (notional account)
  - Flexibility in design
  - Tax-favored distributions for medical expenses only
  - Can be combined with an FSA
- **HSAs**
  - Employees AND employers CAN contribute (voluntary)
  - Must be offered with a qualified high-deductible health plan
  - Tax-favored distributions for medical expenses; distributions for non-medical expenses allowed, with penalties
  - Cannot be combined with an FSA
  - Contribution fully vested and portable



## Employer/Employee Interest

- **Employer interest in CDHPs growing**
  - Interest in HSAs is high especially among very large and very small employers
  - 20% of employers offering coverage offered a HDHP to at least some of their workers in 2005, an increase of 10% over 2004
  - More than 30% of very large firms (5,000 or more workers) offer HDHPs
  - 27% of firms not offering a HDHP in 2005 are somewhat or very likely to offer one in the next year
- **Employee Take up**
  - About 15% of workers, at firms offering HSA-qualified HDHPs, choose to participate
  - More than 3 million enrolled; enrollment growing quickly



## Characteristics of Enrollees

- **Demographics**
  - Higher income
  - Better educated
- **Health Status**



## Impact on Utilization

- **Incentives to control utilization**
- **Ability to distinguish between necessary and unnecessary care?**
- **Early findings indicate possible increased use of hospital care, reduced Rx use**



## Impact on Overall Health Spending

- **Distribution of health spending**
  - Small percentage of population account for most of the spending
- **Different incentives under and over the catastrophic plan deductible**
- **Mixed results regarding risk segmentation**



## Enrollee Satisfaction

- **Generally positive**
  - Direct measure of satisfaction
  - Switching behavior
- **Early Adopters**
- **Decision support tools not utilized extensively**



## Outlook for CDHP

- **Research underway will provide continuing insight**
- **Early adopters may not be representative of future enrollees**
- **Educational tools not yet fully developed**
- **Potential for risk segmentation**
  - This can be managed
- **Impact on vulnerable populations unknown**



## Additional Resources

- **Consumer-Driven Health Care – Beyond Rhetoric with Research and Experience**
  - Much of the work presented was featured in the August 2004 *Health Services Research* special issue
- **Cyber Seminar: Disseminating Research Results for Policymakers**
  - Consumer-Driven Health Plans: Potential, Pitfalls, and Policy Issues
  - <http://www.hcfo.net/cyberseminar/0904/slides.htm>
- **Health Savings Accounts as a Tool for Market Change**
  - <http://www.hcfo.net/pdf/issue0605.pdf>
- **[www.hcfo.net](http://www.hcfo.net); [www.statecoverage.net](http://www.statecoverage.net)**

