Consumer-driven health plans (CDHP) have handed employees both the money and the responsibility for their health care, fixing the amount employers spend. Now employees need adequate information to go with the responsibility. Employers can capitalize on the increased cost savings and cost control of CDHP if they provide the tools that allow employees to shop, compare and simplify a complex health care landscape. The main tool to provide is consumer information.

### Consumer-Driven Health Care:

**Employees Need Information to Be Savvy Consumers**

*by Shawn Jenkins*

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The process of purchasing a car has changed significantly in the last ten years. Before signing on the dotted line for that new car, the typical buyer has done a significant amount of homework. He or she has researched and compared the car's features, options, safety record and maintenance costs. He or she has chosen the best financing option and determined what the monthly payments will be, along with determining the car's environmental impact. In some cases, he or she purchased the car without ever leaving the comfort of home. Empowerment and information separate today's car buyers from those of the past.

The car buyers of yesterday are like consumers looking at CDHP today. Car buyers of the past didn't have the knowledge or access to the data to make informed decisions. Instead, they went with their gut, crossed their fingers or relied on their Uncle Stan, who was a terrific haggler.

Everyone recognizes that the increase in health care costs for employers in America is both unsustainable and at a tipping point. CDHP including health savings accounts (HSAs) is a way both employers and employees are able to benefit from and stem the rising tide. Now, employer groups are hard at work putting together the pieces needed to capitalize on these new cost-saving opportunities and to simplify a complex health care landscape.

### A Look at Health Care Today

Historically, employees have had little understanding as to the actual cost their employers bear to provide benefits, as they have had little or no direct involvement in the financing of their health care. While they have been able to purchase health care, they have not had to truly pay for the costs they incur beyond the average copayment. Now, however, in order to
share the burden of providing health care coverage and take preventive measures to keep from drowning in health care costs, employers seek to more actively involve the employees in the health care process. It is this process that hatched the idea of health care consumerism.

To date, more than six million Americans have enrolled in CDHP, which is small by comparison to those with HMOs or other private health insurance, estimated to be more than 200 million. Both the current economy and employers’ interests in saving money have helped propel the CDHP movement forward.

**The Beginning of CDHP**

CDHP is the biggest trend in health care in the past 30 years. It was born out of the cooperation between federal and state governments, the private sector and consumer advocacy groups, whose call for greater health care transparency and cost control led the charge.

The benefits of CDHP are clear. Employees get more flexibility in the form of doctors and networks, as well as financial control over their health care. For employers, premium rates and annual cost increases are reduced.

While the benefits are clear, there are complexities that employers face in designing, maintaining and administrating CDHP. Employees also face greater complexity and more unknowns.

CDHP puts the employee in the driver’s seat of his or her health care. However, most employees are both unable and/or unwilling to accept the freedom and the responsibility that comes with that. What is causing this reluctance?

Accurate and up-to-date health care information is hard to find, difficult to understand and confusing to act upon, so employees are not able to intelligently make the crucial decisions that will determine the course of their health care finances and, quite possibly, their health. Efforts by employers, including the proper health education tools, are needed if CDHP is to flourish.

CDHP has the potential to deliver smarter, cheaper health care and more targeted health care. However, in the author’s opinion, this will happen only if the wealth of data held by health plans, providers and other third parties is brought together and made available to employees. Years of mistrust between insurers and providers must be overcome. Hand-in-hand with information technology is a shift in mentality. Doctors have to allow patients to ask questions without feeling insulted; patients need to compare their doctor to other doctors and shop for the best health care value. Additionally, in the author’s opinion, employers need to view their role as more of a health advisor and a facilitator of empowerment. Employers need to provide their employees with a fully integrated and consumer-driven platform allowing them to take control of their health care options.

Consider an example of an integrated CDHP in action: A recently diagnosed skin cancer patient, nervous about his diagnosis and many health options, uses a Web portal to get the best information available to make choices. This integrated portal shows the employee which insurance plan is best for his case, shows the best hospital for outpatient cancer treatment, compares oncologists and their results in dealing with skin cancer and offers comparisons of the cost of potential treatments. In this scenario, the employee, employer, health plan and doctor communicate electronically, thereby improving care and enhancing outcomes, while reducing costs.

The key to a successful Web portal, as described in the previous example, is the integration of disparate systems and the islands of information that exist in several locations, to enable self-service for employees and employers. What exactly is the integration challenge? A primary difficulty in supporting a Web portal is that each product is administered by a separate business entity with only one part of the overall product picture. Employees will need to track claims records, claims payments, deductibles, funding and expenditures, but no single party has a window through which to view all information in its entirety. Employers can now provide such portal tools.

While the numbers are up for CDHP, the above challenges have slowed adoption and caused doubt among employers and consumers, as reflected in a 2006 survey by The National Association of Health Underwriters. While 41% of respondents claim that employers rate CDHP as the best way to impact medical costs, only

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29% are planning to offer a CDHP option in the next year—representing flat year-over-year growth.

Eighty-five percent of respondents cited "enrollment communication and support" as the main barrier to offering these plans. Employers, especially those larger in size, expect certain capabilities from their own plan such as online tools, a single access point and provider cost comparison. While a majority of respondents believe that employees will take an increased role in the decision-making process, 80% think that employers will continue to be the primary decision maker in terms of plan selection.

**CDHP and HSAs**

Let's take a look at HSAs, a well-known financial model of CDHP. HSAs were initiated in 2004 with much fanfare. However, the adoption of HSAs has not been as strong as expected, with approximately 3.6 million accounts and $5.1 billion in assets. Because the adoption rate of HSAs, a crucial marker of CDHP success, is so low, the industry is facing an uphill battle. While the business climate has changed since 2004, the double-digit growth in health care costs has continued, making CDHP and HSAs a viable way to allow employers to fund employee health benefits while guaranteeing a certain level of expense. In fact, current predictions of HSA growth call for dramatic growth by 2010.

More companies are moving toward a personal responsibility approach to providing health care. Companies like Google and Yamaha have instituted healthy eating options at work, while other companies have banned smoking. While laudable, these new approaches may have future legal ramifications. With CDHP, however, employees have as much at stake in the cost of their health care and may be more likely to modify behavior when it comes with a financial impact.

How an employee manages or mismanages his or her health care finances could have long-range implications in later years when the monies are needed most. Following the trajectory of 401(k)s in financial services, industry leaders expected very slow initial adoption, followed by heavy consumer education efforts, further adoption by white-collar workers and eventual broad adoption over ten to 15 years.

**HSAs and Banking**

Due to the growth of HSAs, banks are beginning to play a big part in CDHPs. The HSA introduces banks to a new set of challenges: supporting and integrating with health carriers and providers and their customer support services. Health plans will likely deal with many different HSA banks; reusable back-end claims processing and payment systems are a must for a viable integrated platform.

Consider, for example, HSA Bank, which manages more than 150,000 accounts and nearly 29% of the almost $1 billion reported in HSA deposits nationwide. The industry leader in terms of HSA volume and deposits, it offers an integrated platform that guides consumers in the purchase and management of their health care and health care finances. Accessible via the Web, it includes an online banking, electronic group and account setup; electronic employer/employee...
contribute education tools in an integrated approach.

**Putting It All Together—The Employee Benefits Portal**

In a truly integrated platform, the employee would see his or her CDHP and HSA administrator as one entity. The CDHP portal stitches together health plans and banks to allow payment transactions, enrollment and service business processes, online account management and decision support.

Consumers can only be empowered through knowledge. The long-term vision for a CDHP portal is that the educated health care employee is best served by aggregating data and management tools and by introducing new automated and electronic processes from banks, health plans, providers and business process vendors.

What's needed to drive that kind of growth over the next three years and how can employers make it happen? New tools and greater integration between health plans, banks and individuals are needed to make HSA management accessible to employees.

Successful employers and health plans will provide an educated shopping experience for their employees. Think of the way consumers bank online or purchase music today through iTunes. The technology, including tools and resources that make the experience seamless, should be intuitive to the employee. These tools include:

- Account setup at point of CDHP enrollment
- Online provider payments and medical debit cards
- Account management
- Real-time claims adjudication
- Employer ease of management
- Automated enrollment
- HSA comparison shopping experience—ability to offer multiple account options
- HSA contribution and fee management
- Receivable programs and fee management
- Online health education tools could include the following:

  - Custom Benefits Configurator—Emp

**Lessons From the Field**

With the convergence of new media and health care, the skin cancer patient mentioned earlier can watch a podcast on melanoma prevention, or watch a news cast on the recent debate about sun exposure and ongoing skin cancer risk, or listen to a physician talk about skin cancer treatments. This gives employees the opportunity to learn about health care in the medium that they prefer.

The changing CDHP environment can be compared to the shift in the music industry. In the past, buying music meant going out to a store and buying an entire CD. Now we have iTunes. What makes this model so successful? It's that it makes the process easier, transparent and customized for the individual.

**Case Study**

Employers can capitalize on the increased cost savings and cost control of CDHPs and HSAs if they put the consumer first.

In an example of this, Blue Cross Blue Shield of North Carolina (BCBSNC) realized the opportunities of health care and financial service convergence and wanted to improve employees' CDHP experience.

BCBSNC understands that continued growth and success of the CDHP program requires that all partners in the health care experience be well-informed. Specifically, BCBSNC uses a Web portal for claims information and financial transactions. The portal provides a consolidated view for employees who can pay their claims from the HSA, as well as get benefits and wellness information.

BCBSNC has received positive reviews from employees. This is because BCBSNC has been able to simplify for its employees the educational process of complex funds and benefit issues.

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