

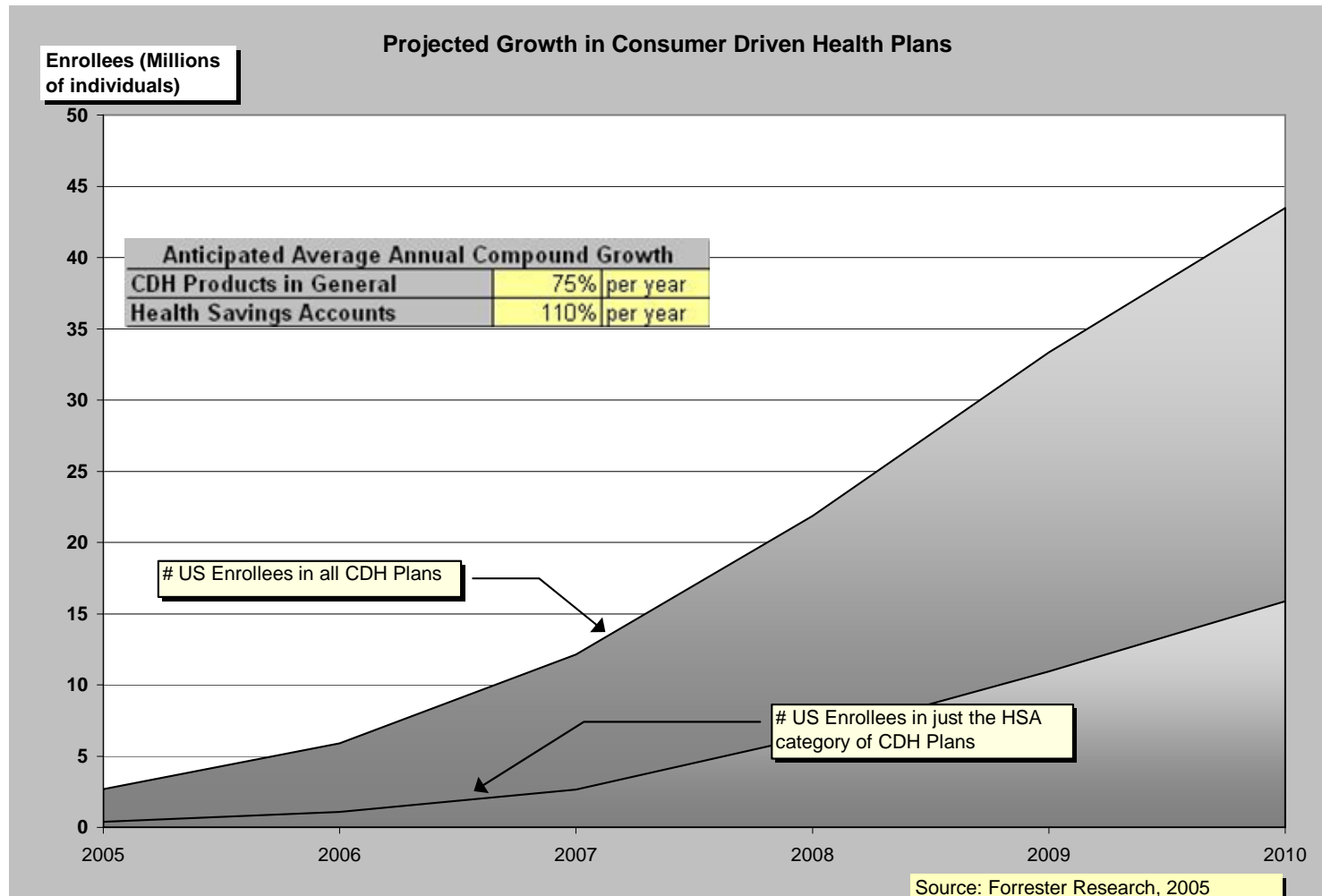


Consumer-Directed Health Care: Employer Based Plans

June 13, 2006

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Growth of Consumer-Driven Health





Take Homes

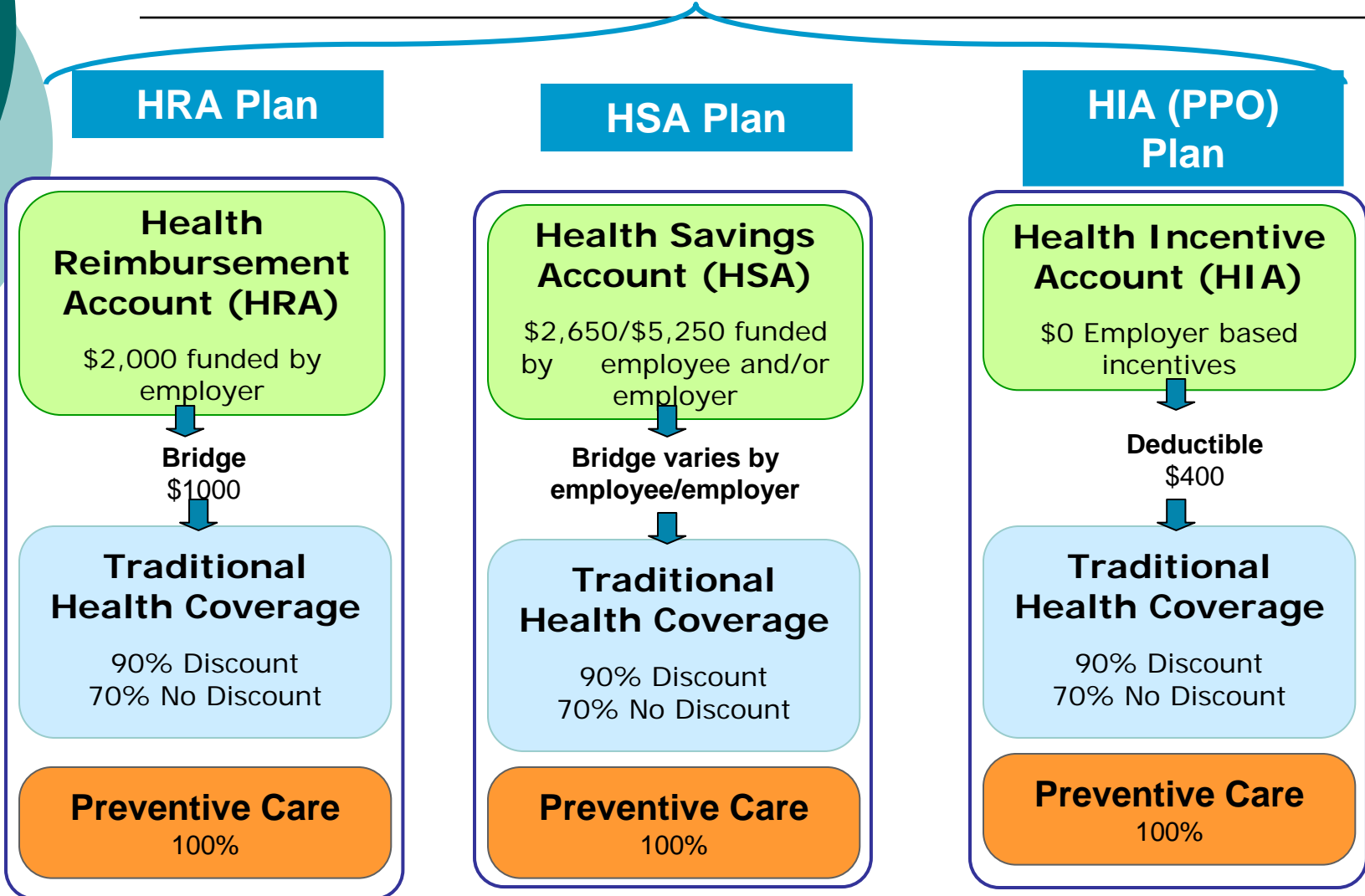
- **Consumer-driven is NOT**
 - A “silver bullet” for all that ails healthcare
 - A cost shift – done properly
 - Good only for healthy and wealthy consumers
- **Consumer-driven IS**
 - A major realignment of “patient as purchaser”
 - A major catalyst to drive languishing P4P, and “system efficiency”
 - A platform to incentivize prevention-oriented, evidence-based care, value-added innovation and reform
 - Subject to “The Tipping Point” phenomena
 - A mandate to “get it right” . . . Or at least “better”



Principles Behind Consumer-Driven Care

- Focus is on the consumer
- Cost empowerment – not cost shifting
- Properly aligned financial incentives
 - Primary emphasis and rewards for preventive, evidence-based care and health/consumer behavior change
- Price and “quality” transparency
- Educational and health decision tools
- Personal assistance in managing health issues
- Significant investment in consumer centric technology
 - Integration of “high touch” resources to support provider interactions

Multiple Plan Choices with Varying Degrees of Consumerism





Consumer-Driven Health: Considerations for Employers

Key Considerations

- **What are the objectives for introducing an account-based plan**
 - Introduce consumerism
 - Savings objective (short or long term)
 - Leading-edge benefits
- **Full replacement or option**
- **Covered population—active/retirees, union/nonunion, location specific**
- **Account-based plan relative to other options**
 - Design: co-insurance and out-of-pocket expense
 - Contributions
 - Incentives
 - Subsidies
- **Type of account**
 - Health Reimbursement Account (HRA)
 - Significant employer control—a “promise” to provide benefits
 - Health Savings Account (HSA)
 - Employee ownership—“cash” to the employees

Engaging Consumers in their Health

The screenshot displays the Lumenos patient portal. At the top left is the Lumenos logo with the tagline "Health Care Enlightened". A navigation bar contains buttons for "My Lumenos Home", "Doctors Plus Directory", "My Health" (highlighted), "My Account", "My Benefits", and a "Log Out" link. Below the navigation bar is a search bar with the text "Acme Ciba family members | settings | log out" and a "Search" button. A vertical sidebar on the left lists various services: "At a Glance", "My Health Profile" (highlighted), "Health Library", "Talk To A Nurse", "Preventive Care Guides", "Condition Centers", "Hospital Procedures", and "Health Quizzes". The main content area shows the "e-Checkup(HQ)" section with the title "About You: Lifestyle Choices and Health History". Below the title is a paragraph: "Below are a dozen questions designed to account for your lifestyle and personal health history. For each question, choose the one statement which best describes you." The "Health" section asks "How would you describe your overall health?" and lists five radio button options. The fourth option, "I think I am in very good health and I rarely get sick and miss work or other daily activities.", is selected. The "Exercise" section asks "Which choice best describes your level of exercise for the previous month?" and lists one radio button option: "Non-exerciser: I seldom perform any type of exercise."

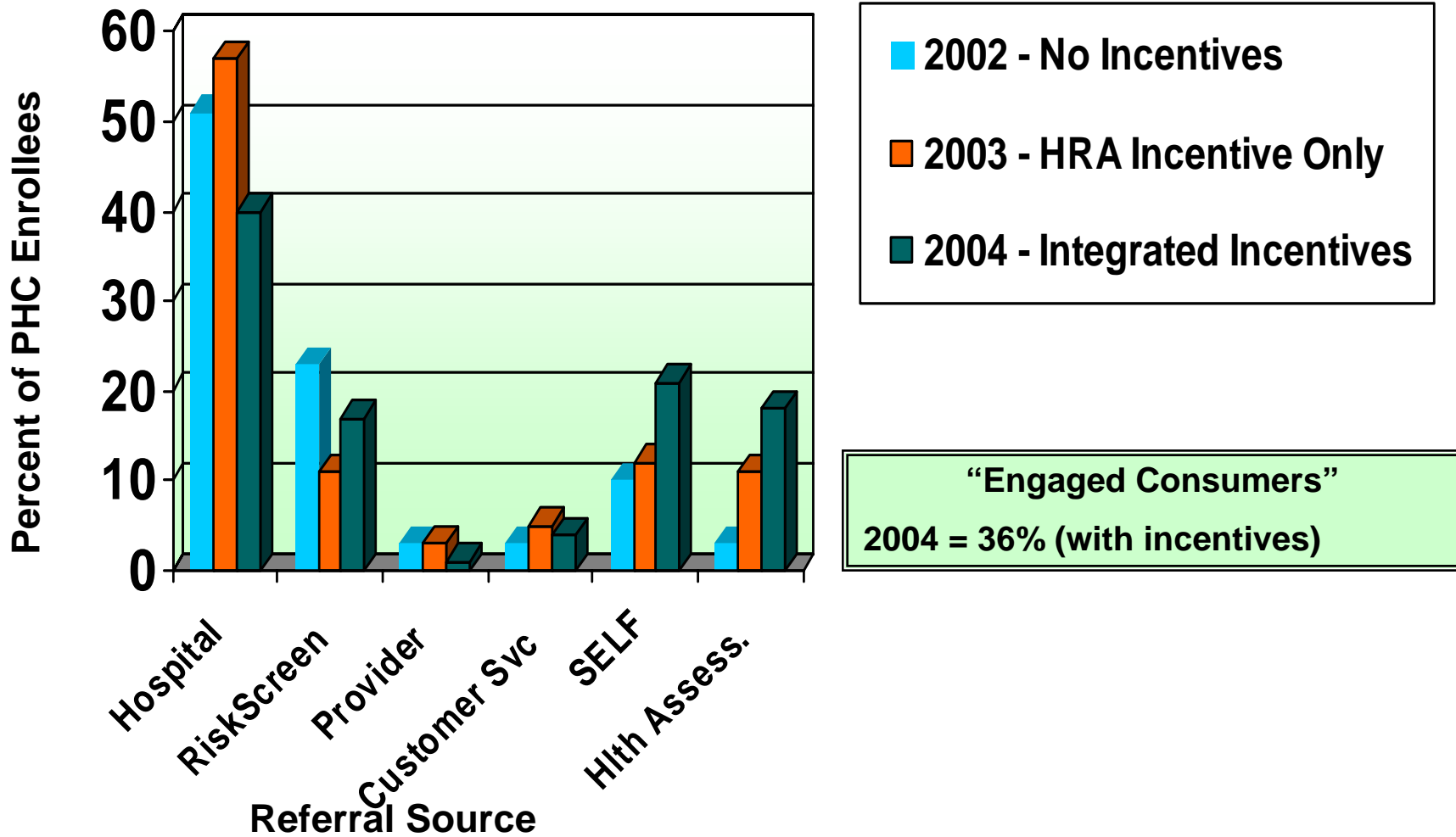
- Understanding health risks can help prevent future health issues
- Incentives maximize consumer utilization of health resources and promote behavior change

Incentives Work and Matter: Assessment and PHC Enrollment

Incentive Status	Participation Average (Range)
Health Risk Assessment	
Incentive (\$25-250)	36.3% (14.8 – 80%*)
No Incentive	4.3% (3.3 – 10%)
Increased Risk Assessment completion	8-9X (up to 20X)
Personal Health Coach Enrollment**	
Incentive (\$50-200)	2.3% (0.9 – 7.9%*)
No Incentive	1.3% (0 - 2.8%)
Increased Health Coach Enrollment	2X (up to 14 X)

- 2004 Clients:
- * Full replacement 2004 client (\$250/\$200/\$200)

Engaged Consumers: Enrolling in Health Coaching thru Self Referral and Health Risk Assessment



Consumer Experience at the Pharmacy

Lumenos
Health Care Enlightened

RxEOB - Microsoft Internet Explorer

Address: https://www.mydrugbenefit.com/secure/rx_view_option:

Drug Name: SYNTHROID 200MCG TABLET
Drug Class: Thyroid Hormones
Selected Quantity: 30.000 **Change Quantity Here ->**

Attention: Prices are calculated based on QUANTITY. You may need to change the quantity in order to display the proper price. You will receive the greatest discount when ordering a 90-day supply of mail order prescriptions.

The information appearing below is intended to be a general guide to prescription drug costs and their alternatives. Due to the fluctuation of prescription drug costs, the estimates shown can vary and do not reflect the exact cost you will pay at the pharmacy. Displayed drugs and their costs do not constitute verification of coverage. Please refer to your specific plan benefit information for more detail.

	<u>Drug Name</u>	<u>Estimated Cost After Discount Sort</u>	<u>Estimated Mail Order Cost Sort</u>	<u>Estimated Retail Cost Sort</u>
1	CYTOMEL 50MCG TABLET	\$35.11	\$30.77	\$44.84
	THYROLAR-3 STRENGTH TABLET	\$28.85	\$24.96	\$36.75
	SYNTHROID 300MCG TABLET	\$28.33	\$24.47	\$36.07
	ARMOUR THYROID 300MG TABLET	\$24.39	\$20.81	\$30.98
	THYROLAR-2 STRENGTH TABLET	\$23.96	\$20.41	\$30.42
	CYTOMEL 25MCG TABLET	\$23.68	\$20.15	\$30.05
	SYNTHROID 200MCG TABLET	\$21.34	\$17.98	\$27.03
	SYNTHROID 135MCG TABLET	\$21.30	\$17.94	\$26.99

To protect your privacy, you can view your own service descriptions and provider names only.

Compare Prices at Local Pharmacies

Lumenos
Health Care Enriched

My Lumenos | **Doctors Plus Directory** | My Health | My Account | My Benefits

Search for Providers
Prescription Drug Costs
Medical Cost Estimates
Extra Discounts
My Directory
Hospital Comparison

Message Center
You have 0 new messages.

Have a Question or Want to Share Your Thoughts? Contact Lumenos by e-mail or phone.

Log Out

Prescription Price Check Search for recent purchases at a pharmacy near you.

To help you find the lowest price for your prescription, we have listed actual discounted prices paid by other Lumenos consumers **for all quantities** of your drug **over the last 90 days**. The actual price you pay could be different due to daily fluctuations in drug prices set by the manufacturer and the pharmacy.

Drug Name: LIPITOR
Dosage: 20MG
Quantity: 30

Change Your Search for this Drug [Print Prices](#)

Dosage:
ZIP Code:
OR
City State:
Within this Distance:
 5 miles 10 miles 20 miles
 30 miles 50 miles
[Search Again](#)

[Back to Search Results](#)
[New Prescription Drug Search](#)

Distance (Miles)	Dosage	Pharmacy	Quantity	Price	Most Recent Date of Sale
4. 05.9	20MG	COSTCO #0006 1160 SAXON DR TUKWILA, WA 98188 (206) 575-8147	30	\$ 98.57	06/06/2005
5. 04.1	20MG	BARTELL #0005 16940 116TH AVE SE RENTON, WA 98058 (425) 226-2901	30	\$ 102.38	05/17/2005
6. 08.5	20MG	SAFEWAY PHARMACY #0542 26916 MAPLE VALLEY BLACK DIAD RD SE MAPLE VALLEY, WA 98038 (425) 432-3077	30	\$ 102.38	05/14/2005
7. 09.4	20MG	THOMPSONS DRUG #0040 10116 NE 8TH ST BELLVUE, WA 98004 (425) 454-2468	30	\$ 102.38	04/04/2005

COSTCO #0006 1160 SAXON DR TUKWILA, WA 98188 (206) 575-8147	30	\$ 98.57
BARTELL #0005 16940 116TH AVE SE RENTON, WA 98058 (425) 226-2901	30	\$ 102.38
SAFEWAY PHARMACY #0542 26916 MAPLE VALLEY BLACK DIAD RD SE MAPLE VALLEY, WA 98038 (425) 432-3077	30	\$ 102.38



Impact of CDHP

- Reduction in pharmacy costs... 15%
- Increased generic substitution rate... 92%
- Increase in preventive care spend
 - 5% of total medical expenses represent preventive care expenditures compared to 2-3% market average
- Reduction in outpatient visits... 18%
- Lower cost trend... 30-40% reduction in year-over-year cost trend
- Customers report health- and cost-related behavior changes since joining Lumenos
 - 44% report increased knowledge in managing their health care
 - 27% report that they are more actively involved in health-related behaviors



What have studies found: Early Evidence Is Promising

- Largest and most rigorous study to-date
- Compared consumers with HRA plans to those with traditional health coverage
- Study restricted to “full replacement” offerings – mitigates potential selection bias
 - ✓ CDHP consumers are more value conscience
 - ✓ Enhanced attention to wellness and prevention
 - ✓ Long-term consumer behaviors persist even when funds are exhausted
 - ✗ Not satisfied with the access to information and data



Employer CDHP Feedback To Date: “Most Important Objectives Met”*

- Did your consumer-driven plan promote health care consumerism and lower cost?
 - 53% Agree
 - 41% Too soon or neutral
 - 5% Disagree

*Mercer 2004 National Employer Survey



Communicating to and Educating Employees

- Health care is complicated – can't be learned in a 30 minute health fair
- Selecting a health plan is personal – one shoe does not fit all
- Most people don't know what they spend today and therefore have no way to compare plans
- Network participation is similar across plans but is one of the primary ways that employees choose their plan
- Understanding how to use your health benefit is not a once a year activity
- While it is the most expensive benefit that employees have, most people don't learn what is covered and how to use until there is an event



Communication Strategy: Consumer-Driven Health is Different

- **Preparation** – presentations to senior leadership and HR, building the case for change and delivering the solution
- **Announcement/Awareness** – announce the change, show the importance of the change and the value proposition to the employee
- **Education** – inform and build comprehension through repetitive communications, utilizing easy-to-understand examples
- **Employee Buy-In** – face-to-face interaction with all employees to drive the message throughout the organization and deal with concerns
- **Enrollment** – provide enrollment support via phone and online
- **Education Year Round** – face-to-face seminars, webcasts, written material – focus on health, disease and how to become better consumers



Case Study

Plan Design

	Gold Plan	Silver Plan
Health Reimbursement Account	\$1,000/\$1,500/\$2,000	\$1,000/\$1,500/\$2,000
Bridge	\$500/\$750/\$1,000	\$1,000/\$1,500/\$2,000
Traditional Coverage In Own Facilities Other In-network Facilities	10% 20%	10% 20%
Out-of-pocket Maximum	\$3,000/\$4,500/\$6,000	\$3,500/\$5,250/\$7,000

- Preventive care covered outside of the plan – do not have to use HRA dollars on preventive care
- Covers same health care services as other plans
- \$50 Health Risk Assessment Incentive



Enrollment Summary

- Average number of employees enrolled: 3,448
 - Gold Plan: 81.7%
 - Silver Plan: 18.3%
- Average number of members: 6,945
- Average family size: 2.0
- Average age: 41
- Enrollment by coverage type
 - Self: 49.3%
 - Self plus 1 dependent: 22.2%
 - Self plus family: 28.6%

Utilization Results - Prescription Drug

- Overall prescription drug costs for the group analyzed are flat
 - Decreases in number of prescriptions in discretionary categories
 - Antibiotics: -4 Allergy: -25% Cough/Cold: -8%
 - Dermatology: -4% Eye/Ear: -9%
 - Decreases in cost of drugs in multiple areas
 - Antibiotics: -4% Allergy: -34% Diuretics: -24%
 - Pain Medicines: -10% Ulcer: -10% Muscle Relaxants: -11%

<i>Prescription Drug Utilization Comparison</i>			
	<i>Previous Plans</i>	<i>CDHP</i>	<i>Benchmark</i>
<i>RX Cost PEPM</i>	\$73.94	\$57.29	\$90
<i>RX Per 1,000</i>	9,122	7,753	7,000 – 8,000
<i>RX Per User</i>	11.5	10.3	8 – 9
<i>Scripts per member</i>	9.1	7.8	7 – 8
<i>Generic usage</i>	38.6%	40.8%	40% - 45%

Utilization Results - Medical

- Overall medical costs for this group analyzed increased 27%
 - Inpatient Admissions: -22%
 - Outpatient Encounters: +57%
 - Laboratory Services: +22%
 - Radiological Services: +42%
 - Professional: -10%

<i>Inpatient Utilization Comparison</i>				
	<i>Previous Plan</i>	<i>Previous Plan</i>	<i>CDHP</i>	<i>Benchmark</i>
<i>Days per 000</i>	470	339.8	205.2	250-280
<i>Avg length of stay</i>	5.4	4.6	4.6	4.2 – 4.5
<i>Admits per 000</i>	87.6	73.3	44.3	59 – 62
<i>Large claims %</i>	11%	9.2%	11.4%	8% - 12%



Large Claim Experience

Large Claims	2004	Milliman Adjusted
Claims > 10,000	265	437
Claims > 25,000	102	134
Claims > 50,000	35	50
Claims > 75,000	19	24
Claims > 100,000	18	17
Claims > 250,000	3	3
Claims > 500,000	0	1

Large Claim Experience

- Large claim frequency is consistent with expected levels at claim point above \$100,000.
- Frequency of large claims lower at claim points below \$100,000 – 20% to 40% lower



Today's Challenges Unchanged From 20 Years Ago

- Adverse selection
 - Yes it happened, particularly with HMO's
 - Can be mitigated with benefit design
 - Full replacement: becomes a non-issue
- Care coordination for chronic disease
- Optimal payment mechanisms
- Performance measurement systems
- Provider and "system" response
- "Individuals can't do it"
- Insurance function vs "routine care"