Posted May 1, 2011

Can consumer-driven plans tame the health insurance beast?

Dave DeWitte

Iowa businesses are losing the battle against soaring employee care costs.

It's a trend that David Lind, a Clive-based employee benefits consultant, has documented for many years through his company's annual benefits survey.

Lind charts the survey results, which show health insurance premiums rising at an annual rate of 10.4 percent, even as companies skinny-down their health insurance by raising employees' deductibles and co-payments. He says one chart is sure to raise alarm bells for any business owner or HR executive concerned about health insurance.

The chart shows what would happen if the current trends in household income continue for 20 years.

The average premium for employer-sponsored family medical plans in Iowa – currently $12,800 annually, is now 26 percent of Iowa's average annual household income of $49,000.

David Lind

By 2030, the average premium for an employer-sponsored family medical insurance plan in Iowa would be $34,000 – a whopping 57 percent of household income – if recent trends of 10.4 percent annual premium growth and 2 percent household income growth continues.

"If we continue down the road we're going, we've got some dark days ahead," Lind said dryly.

Employee wellness programs and consumer-driven health plans have been the two most promising tools for fighting those increases in recent years, according to Paul Piech, director of the Health Care Policy Corp. of Iowa. At least one Cedar Rapids company is showing signs of winning the fight.

Consumer driven health insurance consists of a high-deductible insurance policy combined with a health savings account (HSA) account. Employees can put pre-tax payroll deducted funds into their HSA to use for paying health care bills before they reach their deductible limits, where the insurance begins to pay for drugs and care.

Employees have a built-in incentive to learn about costs and manage their own utilization of health care dollars because any money that is not spent from their HSA each year can be saved, essentially becoming their own private health care fund that can accumulate tax free into retirement. At some companies, an annual company matching contribution to the HSA is also part of the plan.

TransAmerica (also known as AEGON USA) in Cedar Rapids has shown how effective the combination of wellness and consumer-driven health care plans can be when used in a large employee group.

Premiums in the insurance company's PPO (preferred provider organization) health plans had been increasing more than 10 percent a year before the company launched its consumer-driven employee health plans in 2007, according to Rebecca Dunk, AEGON USA senior manager of health and welfare benefits.

Since that time, premiums have stopped rising for employees in the consumer-driven plan, while premiums for the PPO plan have continued to rise at an annual rate of about 8 percent.

It may not be surprising, therefore, that participation is shifting quickly to the consumer-driven plan. The percentage of TransAmerica employees in the plan has risen from 20 percent in 2007 to 58 percent of the 3,331 Cedar Rapids employees who are eligible.

Rebecca Dunk

"Before consumer driven we were seeing double-digit increases," Dunk said. "It's mitigated our increases tremendously."

The 58 percent participation rate in the HSA plan by TransAmerica's Cedar Rapids employees is "remarkable," Lind says. About one-fourth of employers in Iowa have some kind of consumer-driven plan, he says. Participation rates in the consumer-driven plans are "all across the board," he said, but are seldom that high.

Successfully introducing a consumer-driven health plan to employees doesn't work if businesses do no more than they would to introduce a traditional health plan, Dunk says. Companies can't just put it out there and expect employees to sign up.

"It's a different way of financing health care," she says. "It's a thought process."

TransAmerica offered employees who first sign up a contribution of $250 to their health savings account so that they would not be facing big out-of-pocket expenses the first few time or two that they received medical services before their own HSA contributions began to accumulate in their accounts. The company also matches up to $400 in employee HSA contributions on single HSA accounts, and up to $800 in employee contributions on family HSA accounts.

Educating employees about the accounts and how they can benefit from them is a big factor, Dunk says.

"We try to educate our employees to show the premium difference between HSA and PPO plans. Through a claims administrator, we offer a cost calculator that shows whether they might want to consider a HSA or a PPO."

TransAmerica has also tweaked its health plans in other ways to help employees understand how much health services are costing their insurance. Two years ago, it went from "flat-dollar" copayments for medical services and drugs to percentage co-payments. The change was made to change the mindset that price wasn't a factor in medical care decisions.

Dunk says the amount of utilization of care has been the big factor driving higher medical costs for TransAmerica's employee group rather than the rising costs of drugs and services. She says employees can improve the outcomes by participating in the company's wellness programs and by making decisions about care that include cost considerations.

TransAmerica began offering wellness programs in the 1990s, well before most Corridor companies embraced the concept. The company has continued to invest in wellness, utilizing a contract with Mercy Medical Center's corporate wellness program.

For six years, the program has offered health risk assessments, flu shots, biometric examinations, and wellness education.

About 50 percent of TransAmerica's Cedar Rapids staff is enrolled in the wellness program. The Mercy wellness staff has two nurses working at TransAmerica, Dunk said. They even go from building to building checking blood pressure for employees who have signed up for blood pressure checks.

TransAmerica's wellness program uses aggregate data from its health insurance administrator to spot areas where it should be investing more to address health concerns, Dunk said. Classes are offered at TransAmerica's work sites, often over the lunch hour, in wellnesss topics.

The value of investing in wellness programs has been dramtically demonstrated on many ocassions, Dunk said. A routine blood pressure check resulted in one employee being immediately transported to a hospital emergency room and receiving angioplasty. One employee considered at high risk of developing diabetes was able to lose 100 pounds.

Some aspects of the health insurance program complement the wellness program. TransAmerica's health insurance has long paid percent for preventive examinations, even paying 100 percent in instances when abnormalities were found that had to be dealt with on the spot.

Smaller businesses may have the greatest challenge in trying to emulate TransAmerica's success in overcoming health insurance cost increases. That's because TransAmerica itself assumes much of the risk by funding its own insurance pool, and using an administrator to pay out benefits.

Smaller companies, by contrast, typically lack the financial resources to self-fund their health insurance. They must contract with a health insurance company that creates its own funding pool, typically one that insures a number of different employee groups at different companies.

Lind's small Clive-based company had a 13 percent premium increase for 2011, even though it has a super high-deductible health plan with deductibles of $5,000 for single employees. The company contributes $2,500 to employees to help offset the deductible.

Lind believes the program may be lowering claims, but "we're pooled with other employers," he said. "However that pool works out, part of that increase is based on how that pool does for those employers."

National health care reform laws have the potential to be a game-changer for employer-sponsored health plans, but many observer say it's too early yet to tell how the game will change.

Lind is bullish that improved systems for sharing health care information among providers will help lower health costs, but says the expense could cause some employers to simply stop providing insurance and pay a $2,000-per-employee penalty. He says the companies might then offer employees additional pay to buy health insurance from exchanges that will be set up under the law.

Keep pushing the HDHPs! All you're doing is pushing more Americans off the cliff into disease, suffering and drawn-out death.

Dan Ross

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2. Jeremy Engdahl-Johnson said: *On May 2, 2011*

   Three healthcare reform papers: Key considerations for state health exchanges–structure, terms of participation, plan design. http://www.healthcaretownhall.com/?p=3767

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