

Changes in
**HEALTH CARE
FINANCING &
ORGANIZATION**

Defining “Defined Contribution” 2002: Research and Practice

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AcademyHealth

W A T S O N W Y A T T



Early Experience of Employers with Defined Contribution Products



HCFO Conference on
Defining Defined Contribution
May 15, 2002

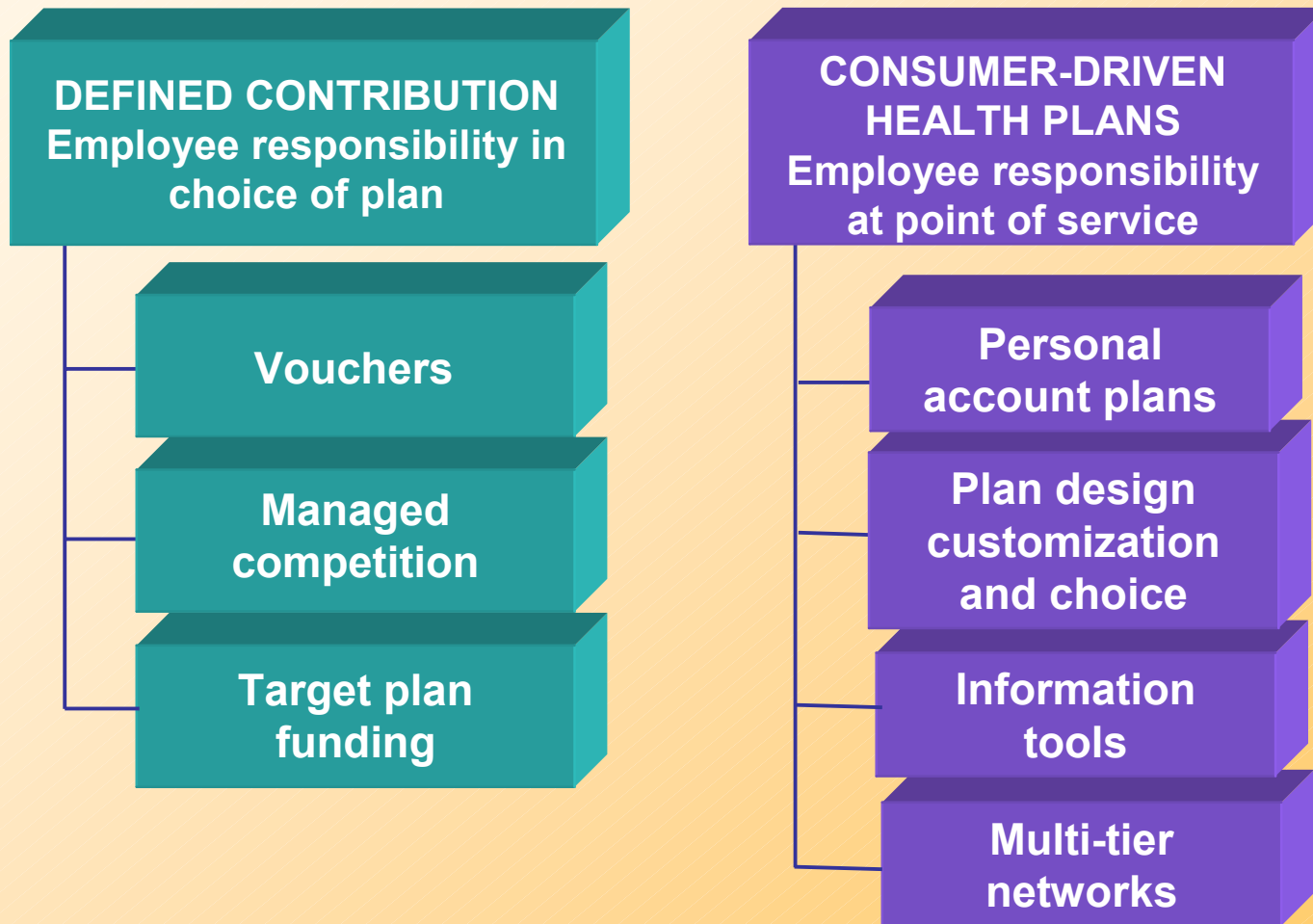


Why are employers considering these plans?

- ***Control costs!***
CEO and CFO
- **Improve employee satisfaction through choice**
Reaction to managed care
- **Simplify administration**
Self-service tools
- **Improve employee accountability**
Manage own health care
Share cost consequences



DC ≠ CDHP



Where We Are

- Many large employers are examining CDHPs
- Start-up companies have marketed well
- National carriers now have products
- Less than 100,000 enrolled in 2002
- Great deal of interest for coming year
- Little action on the "voucher" side



Key issues that concern employers

- Plan Design
- eTools and Decision Support
- Utilization
- Adverse Selection
- Discounts
- Communication/Satisfaction



Plan Design

- With personal accounts, nonusers cost the employer!
- Plan cost sharing
 - Deductible
 - Coinsurance
 - Out-of-pocket maximum
- How can personal account be spent?
 - Eligible expenses
 - Preventive care
- Rollovers and forfeitures
- Winners and losers



eTools and Decision Support

Self-Service Tools

- Personalized web site
 - □Employer "push" capability□
 - E-mail links to plans or HR
- Benefit information
 - Online summaries
 - Modeling capability
- Transaction summaries
 - Claims
 - Account balances

Customer Service Capability

- Telephone support
- Contact management (e.g., phone, e-mail, web)

Network and Tools

- Provider evaluation
 - Provider quality measures/profiles
 - Provider fee information
 - Provider directory



eTools and Decision Support(cont.)

Health Management, Self-Directed

- Self-evaluation and care
 - Health awareness
 - Risk appraisal and management
- Content
 - General health information
- Decision support
 - Condition-specific health algorithms
 - Questions to ask your physician

Health Management, Clinical Resources

- Manage conditions
 - Care coordinator/coach
 - Nurseline
 - Preventive procedures
 - Disease management
- Manage utilization
 - Predictive modeling
 - Utilization notification or authorization
 - Catastrophic care management

Utilization

- Utilization will likely decrease, but how much?
 - 1 percent?
 - 15 percent?
- Radical change in consumer behavior
- Need to keep an eye on the supply side
 - How will the high cost cases be "managed"?
- Will better information increase or decrease utilization?
- Dramatic results with prescription drug generic substitution



Adverse Selection

- Plans seldom offered as total replacement
- 10-15 percent take-up rates
- CDHPs plans may attract low risk individuals
- Don't want to give first dollar coverage to low risk individuals
- Early information looks promising, but still early



Discounts

- Buying "wholesale" is still important
- What are in-network discounts?
- Plan-to-plans differences can exceed 10 percent
- How much of utilization will be "in-network"?



Communication/Satisfaction

- Opportunity to communicate
 - Value of health care benefits
 - Employer and employee roles
- But employees must learn
 - Complex plan designs
 - How to use information tools/self service?
- How engaged do consumers want to be?
- Issue of winners and losers



Conclusion

- Engagement and Consumerism
 - Cost and philosophy
 - Tools to manage health
 - Tools to manage health costs
- Communication
 - Cost of health care
 - Employee's role versus employer's role
 - Where we will be in the future
- Choice
 - Cost trade-offs for the employee

