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Cutting-edge Health Plans Get Help From Pa. Lawmakers

By: Athena D. Merritt

Pennsylvania's adoption of a state budget this month ushered in legislation that provides an additional incentive to those who participate in consumer-driven health-care plans, or CDHPs.

The plans, which combine a high deductible with a tax-preferred savings account that employees draw from to pay for care, are increasingly being sought after by employers crunched by health benefit costs, said state Rep. Mike Turzai, R-Allegheny. Now, contributions into health savings accounts will be exempt from state taxation, as they already are from federal taxation, Turzai said of the legislation he sponsored.

"Most employers want to provide health-care benefits, but the cost has been increasing so much there is a question of affordability," Turzai said. "Health savings accounts allow them to provide it and also to be able to have some control over costs."

As of January, 3.2 million people nationwide were enrolled in health savings accounts (HSA), which allow for tax-free contributions by employees and/or employers for health-care costs, and 2.9 million were enrolled in health reimbursement arrangements (HRA), in which employers solely contribute, according to Consumer Driven Market Report, an independent national newsletter. The report estimates that by January combined enrollment will more than double from the current 6 million to 13.4 million.

Locally and nationwide, roughly 2 percent of employers offer the plan models.

Consumer-directed plans have been touted as a means of lowering health-care costs by involving consumers in making choices about their care. Critics of the plans contend that they merely shift more of the costs onto consumers' shoulders.

Employers continue to take a wait-and-see approach to offering the plans, but interest is increasing and not just among large employers as in the past, but also among smaller firms, said David Cagliola, senior vice president and chief marketing officer of Radnor Benefits Group, an employee benefits consulting firm in Wayne.

"It's absolutely catching on," Cagliola said. "The demand is definitely there. The curiosity is definitely there."

In a survey released by Radnor Benefits Group in June, 7 percent of Delaware Valley companies queried reported offering CDHPs, compared with just 1 percent last year. Within two years, Cagliola projects that number could climb as high as 20 percent to 25 percent.

By 2008-2009, the plans have the potential of becoming an option, offered alongside traditional health plans, among nearly half of employers in the region, according to the consulting firm Mercer Human Resource Consulting.

"We are seeing more employers moving toward the consumer-driven health plan," Mercer Senior Consultant Jennifer Calhoun said. "It helps that we have very strong vendors that are offering the CDHP platform."

Eleven percent of employers surveyed by Mercer indicated they were "very likely" to offer CDHP models this year. Surveyed employers reported that when offered as a choice, more than 16 percent of employees chose the CDHP model.

The plans have made consumers more cost conscious, which has resulted in reduced use of services, said Michael Thompson, a principal at PricewaterhouseCoopers in Philadelphia with 20 years of experience in health care and employee benefits strategy.

But evidence suggests consumers are not always able to discern what services are necessary and unnecessary, which may drive up costs later if preventive or necessary care wasn't received initially, Thompson said.

In a survey released last year by the New York-based private research foundation Commonwealth Fund, 35 percent of individuals in CDHPs reported delaying or avoiding care, compared with 17 percent of those in comprehensive plans.

Lack of transparency when it comes to the cost of prescriptions, doctor visits and medical procedures also serves as a barrier to those enrolled in the plans who are looking for the best care at the best price, Thompson said.

"The challenge we have is when do they see that cost—do they see it after the fact or do they see it before the fact? And how effective are the tools to get that to the consumer?" Thompson said.

Without access to that information, consumers are not empowered but instead hurt by the plan models, Princeton University Professor Uwe E. Reinhardt said.

"It's like a drunk lover at a bar: big, big talk but no follow through," Reinhardt said.

"The best analogy is actually blindfolding a person, shoving them through the door of Lord & Taylor or Macy's and saying 'shop.' This is how we shop for health care," Reinhardt added.

The plans carry the moniker of being consumer driven, but in their present state that is not the case, Thompson said.

"I often question if this is a consumer-driven movement. I think it's an employer-driven movement," Thompson said. "There has to be shared responsibility and one where both employers and consumers play their role to sustain affordable coverage."

Those who use HRAs or HSAs significantly reduce their office visits and use of brand-name drugs, according to Bill Boyles, publisher of Consumer Driven Market Report.

But patients do so because they are deterred by costs, which can adversely affect their health down the road, said Ron Pollack, executive director for Families USA, a Washington-based national advocacy organization for health-care consumers.

"It's part of an increasing phenomenon of businesses that felt hard hit by the cost of health care, that are shifting more of the cost onto the shoulders of their workers," Pollack said. "The people who need health care the most are going to get hurt by the promotion of this system."

Those enrolled in consumer-driven health plans were found to be less satisfied than employees who had comprehensive health insurance, according to a survey released in February by the Washington-based public policy research organization Employee Benefit Research Institute.

The newness of the plan model often leads to confusion, said Marty Rosen, executive vice president of marketing for **Health Advocate**. The Plymouth Meeting firm, which provides health assistance to enrollees of health plans nationwide, said a strong support system for employees will be paramount for the plans' success.

"Anybody that understands this industry and business acknowledges that is a big issue," Rosen said. "When something is new and first introduced there is going to be a lot of initial bumps until some of the things are smoothed out."