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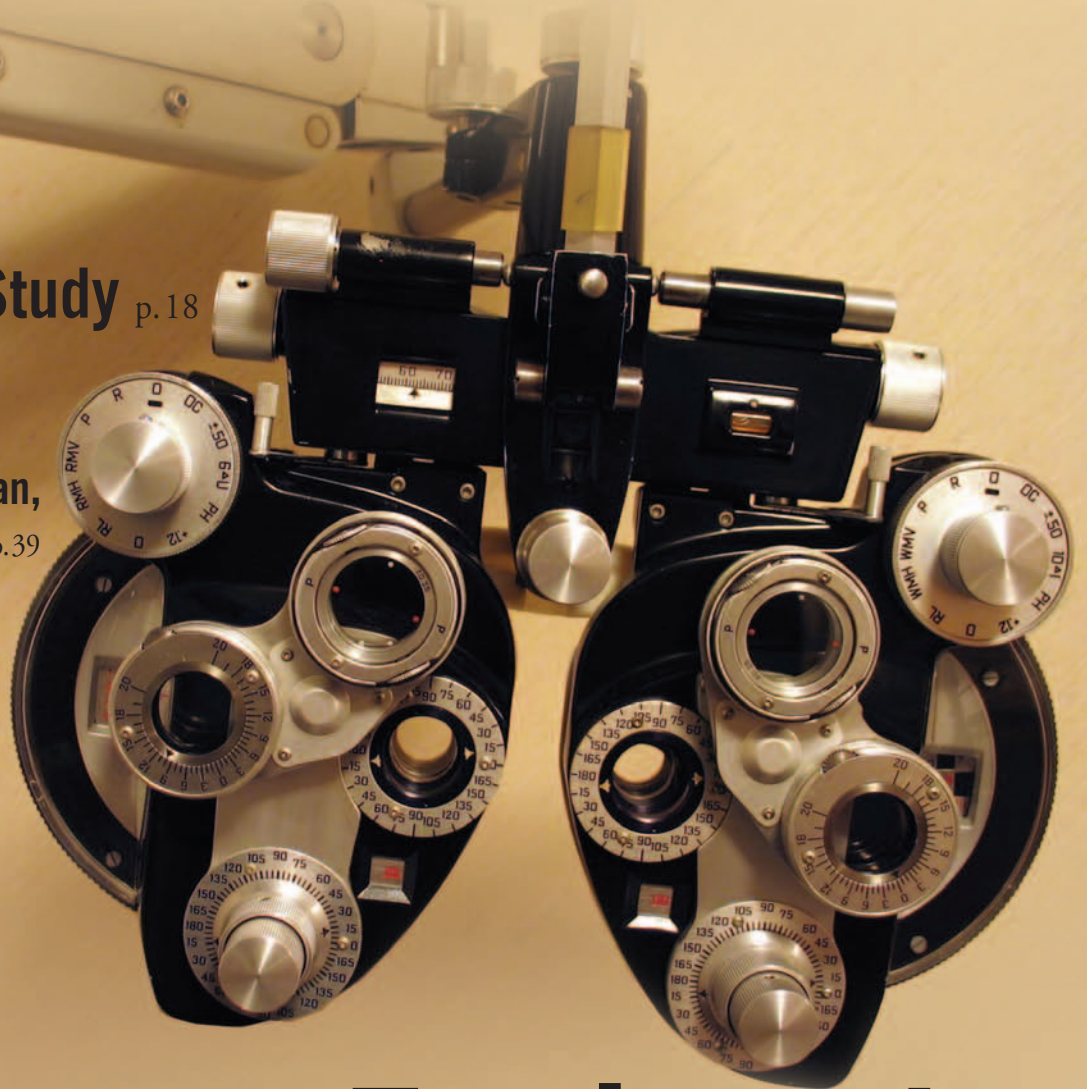
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HEALTH CARE

Rethinking plan design in a consumer-directed world

BY CHRISTOPHER E. RYAN

Traditionally, choice in health benefits means choosing from among the plan designs of different carriers. For example, if you work for a major employer, your enrollment choices likely will include a bewildering variety of plans: an HMO with a low premium and a limited network; several PPOs with a range of deductibles, co-pays, co-insurance, and provider networks; a POS; and a high-deductible plan with an HRA or HSA.

In many cases, each carrier bundles its own Web site, health information, wellness, and disease management services with the health coverage. For consumers who want more information before selecting a plan, they can review plan schedules for coverage options and drug formularies relevant to their health concerns. The whole health benefits industry—from consultants and brokers, to carriers and networks—is built around differentiating health offerings by plan design.

QUESTIONS

But is all this choice good for consumers? Or to put it differently, are these the right choices for consumers to be making? Do they help a workforce to become healthier? Do they create true market forces that keep health-care costs in check?

Clearly, the answer for the past decade has been no. These choices lead to confusion, and even hide the true cost of health care because an apples-to-apples comparison of provider cost, network quality, and premium cost is impossible. Moreover, adverse selection has been a concern all along. Employees and plan designers alike have been attempting to outsmart one another for 20 years. Either way, the employer foots the bill for health care.

While consumer-directed health care (CDHC) was designed to eliminate much of this complexity, many early adopters of high-deductible health plans have simply offered these plans as yet one more option, increasing complexity to consumers. Complex plan choices force consumers to wade through the wrong considerations—supporting neither the spirit nor intent of CDHC legislation.

Attempts by carriers to bundle and subsidize services like spending accounts, health Web sites, and disease management with health premiums has only created greater consumer confusion, while making it impossible for employers to gauge the true return on investment of these potentially valuable programs. If the employer wishes to change carriers, these health management tools also change, potentially diluting their effectiveness and creating unexpected transition costs. Unless the employer is willing to lock in to a single carrier—an unwise choice for any employer concerned about cost—their participants likely will rotate through multiple spending account vendors and disease management programs.

CHANGING BEHAVIOR

Ultimately, CDHC is about changing employee and supplier behavior to create better health outcomes, foster an efficient market in health care, and lower overall health costs. Employees need to focus on their health, take better care of themselves, and purchase health care appropriately—assembling the right blend of preventive, acute, and chronic care. Suppliers need to be held accountable for price and quality.

According to SHPS, a leading integrated health management provider headquartered in Louisville, KY, the answer is to standardize your plan design. Select one normative plan for your company—preferably a high-deductible plan with standard fee structures, coverage, and financial incentives—and impose it on a full replacement basis across your entire employee population.

Let multiple carrier/networks bid on the same plan design, and make a broad selection of them available to your employees. One plan design with multiple networks will mean consumers can spend less time trying to figure out which plan structure is advantageous, and focus on price and quality of the network. For the first time, it means networks can be subjected to real price competition.

FAIR SYSTEM

Now imagine the benefits. You have only one plan design to explain to your employees; complex plan comparisons are gone. There is an underlying level of fairness and no adverse selection. Everyone from the CEO to the night watchman has the same health coverage options—including deductibles, savings plans, and health financial incentives.

As the vice president of benefits at a health service corporation that recently decided to move to a one-plan approach said, “May the best network win.” This is the starting point for true consumer-directed health care. ❏

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