



Trends in the Private Sector: Health Plans and Employers

*Initial Findings from
HSC's 2007 Site Visits*

**Jon B. Christianson, Ph.D., University of
Minnesota, and Senior HSC Consulting
Researcher**



Limited Impact of Consumer-Directed Health Plans (CDHPs)

- Employers and health plans continue to forecast growth in CDHP availability and enrollment

- But, in 12 sites, CDHP enrollment still slower than expected
 - Large employers usually offer as a choice
 - Complex products that require extensive employee education
 - Employers hesitant to adopt benefit designs that yield significantly lower premiums for CDHP selection
 - For some employers, fear of antagonizing employees in tight labor markets; highly variable by type of firm

- The result—watchful waiting by employers

Consumers Shoulder More Responsibilities

- Increases in cost sharing but more moderate than in previous years—why?
 - Somewhat smaller recent premium increases have reduced pressure for further increases in cost sharing
 - Some employers believe further increases in cost sharing will have marginal additional effects on utilization
- Plans investing in a range of consumer support tools
 - Pricing and quality information—“transparency”—a goal for many large employers

Consumers Shoulder More Responsibilities (2)

- Along with more responsibility for costs, consumers increasingly on the line for lifestyle and treatment decisions
- Expectations for now are low about consumer use of information-support tools, but plans expect this to change as tools evolve and consumers become accustomed to a more active role
- Employers view more active consumer role as both support for healthier lifestyles and personal accountability



Growing Interest in Health Promotion and Wellness

- Health plan focus on earlier intervention
 - Prevent disease development
 - Curb health care costs
 - Reduce lost productivity and absenteeism

- Heightened emphasis by plans and employers on health risk assessments—often available online and promoted by use of financial rewards

- Moving from generic support for healthier lifestyles to use of incentives to achieve results in specific areas, tailored for particular employers and groups of employees

Use of Data to Manage Care

- Use of data from health risk assessments and claims to identify those needing more support and to target incentives for behavioral change
- Increased availability of “real-time” claims data to facilitate care management integration

Plans Bringing Care Management Activities In-house

- Better integration of care management activities
- Competitive response by plans to other vendors offering these services to employers
- Acquisition of disease management vendors by major plans

Increased Use of Prior Authorizations for Selected Services

- High-end imaging services
 - MRI, CAT and PET scans
 - Physician credentialing
 - Use of radiology management vendors

- Specialty pharmaceuticals

- Bariatric surgical procedures

Deterioration of Smaller, Locally Based Plans' Competitiveness

- Popularity of their foundational HMO products continues to decline
- Slow to add new benefit designs results in limited product mix
- Localness of coverage (e.g., provider networks) restricts potential pool of business to employers with local workforces
- Less leverage with providers to negotiate competitive discounts
- Limited access to capital to invest in information systems necessary to compete with national plans

Need for National Footprint

- Increasing employer preference for a single carrier
- Plans' positioning strategies
 - Affiliation of local plans with national plans
 - Acquisition of local/regional plans by national plans
 - Closure of local/regional plans—often provider-owned
 - Expansion of local plans' product portfolios

Implications

- As consumers are asked to assume more risk and responsibility for their health and health care, open question about ultimate impact on health care costs and access
- Ability and willingness of consumers to accept this shift a major factor