

Consumer Driven Health Plan Research

Presented by:

*Anne Elmlinger
and
Greg Kline*

Mathew Greenwald & Associates, Inc.



Table of Contents

- **Methodology**
- **What's happening in the market?**
- **Why are employers/consumers choosing/not choosing CDHP?**
- **How is CDHP performing in the market?**
 - **Changing consumer behavior**
 - **Controlling cost**
 - **Use of accounts as long-term savings vehicles**
 - **Customer satisfaction and loyalty**
- **What kind of market growth should we expect in the future?**



Methodology

- Mathew Greenwald & Associates keeps a database of the results from publicly released Consumer Driven Health Care research. Currently this houses data from nearly 50 studies.
- Cumulatively, these studies provide a richer picture, since each one by itself has limitations.
- The presentation draws from some, but not all of the studies in our database. The studies included represent the most current data on a topic, and/or may be based on the largest sample sizes. Preference was also given to studies for which we had detailed information about the methodology and results.
- A complete list of all of the studies included in this presentation, including specific methodologies, can be found on page 50.



What's happening in the market?



What's happening in the market? (Highlights)

- As of January 2006, nearly 3.2 million lives have an HSA eligible plan, almost triple the number from March 2005 (1 million)

Source: AHIP, 2006

- In 2006, half of all HSA eligible enrollees in the individual market with incomes under \$15,000 were previously uninsured

Source: eHealthInsurance, 2006

- In the small group market, 33% of enrollment in HSA eligible plans was from small companies that previously did not offer coverage

Source: AHIP, 2006

- CDHP enrollment has increased to 6% of large employers in the health care market, up 2% from 2005

Source: Deloitte, 2006

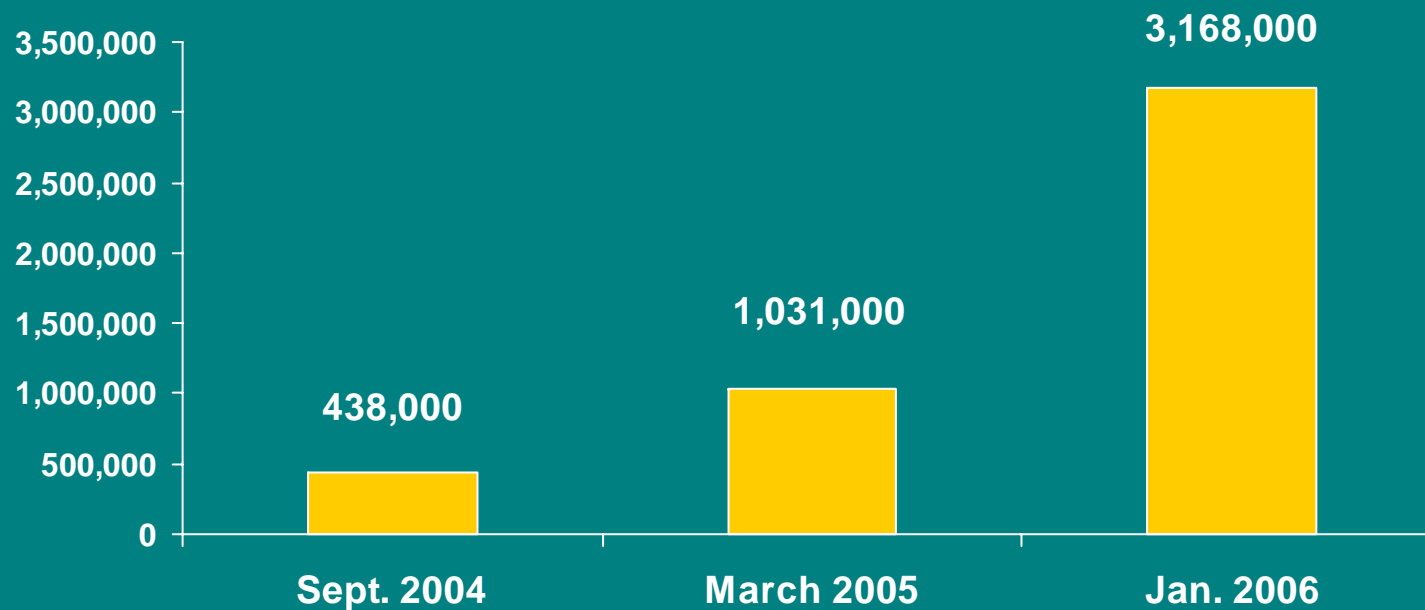


What's happening in the market?

Enrollment in CDHP

- In January 2006, health plans report having almost 3.2 million people with HSA eligible plans, compared with about one million in March, 2005.

Covered Lives in HSA-Eligible Plans

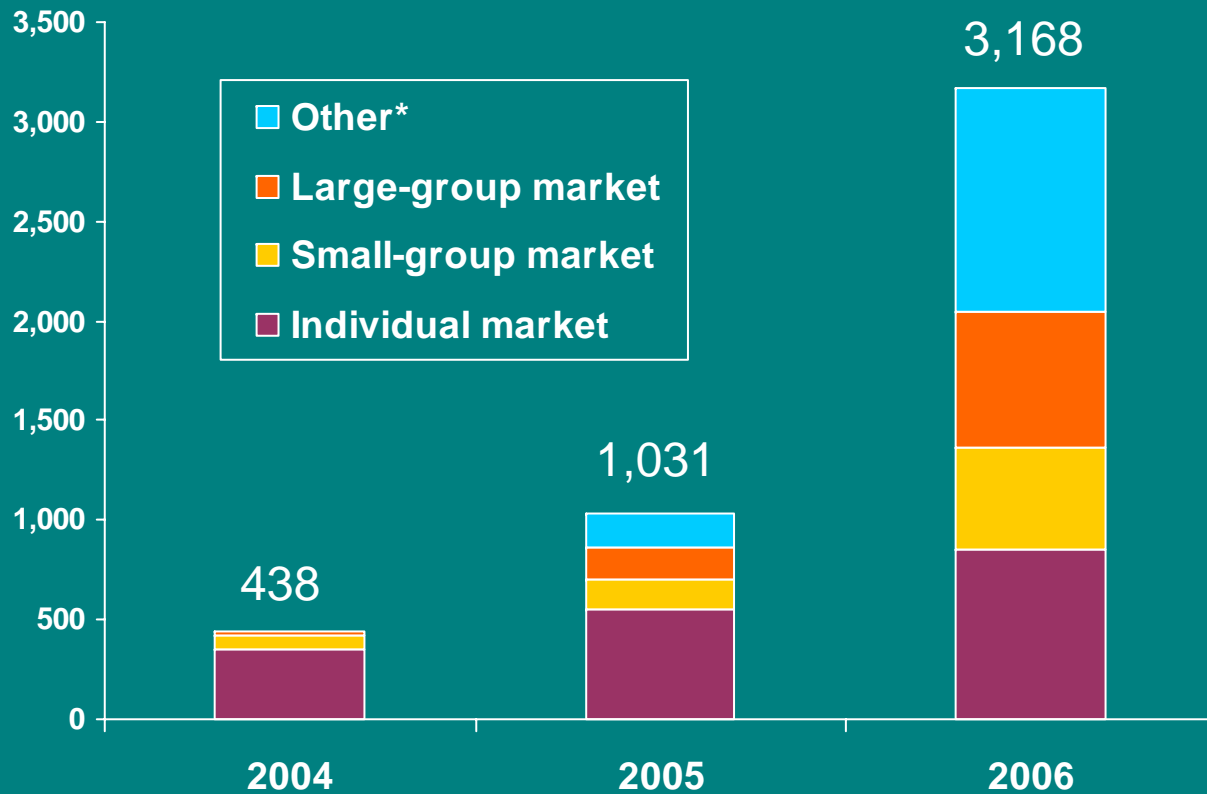


Source: AHIP, 2006 Census Study

What's happening in the market?

Enrollment in CDHP by Market

(#'s in thousands)



	Range (000's)	Growth Rate
Individual	346-855	247%
Small-Group	79-510	645%
Large-Group	13-679	5223%



Source: AHIP, 2006 Census Study

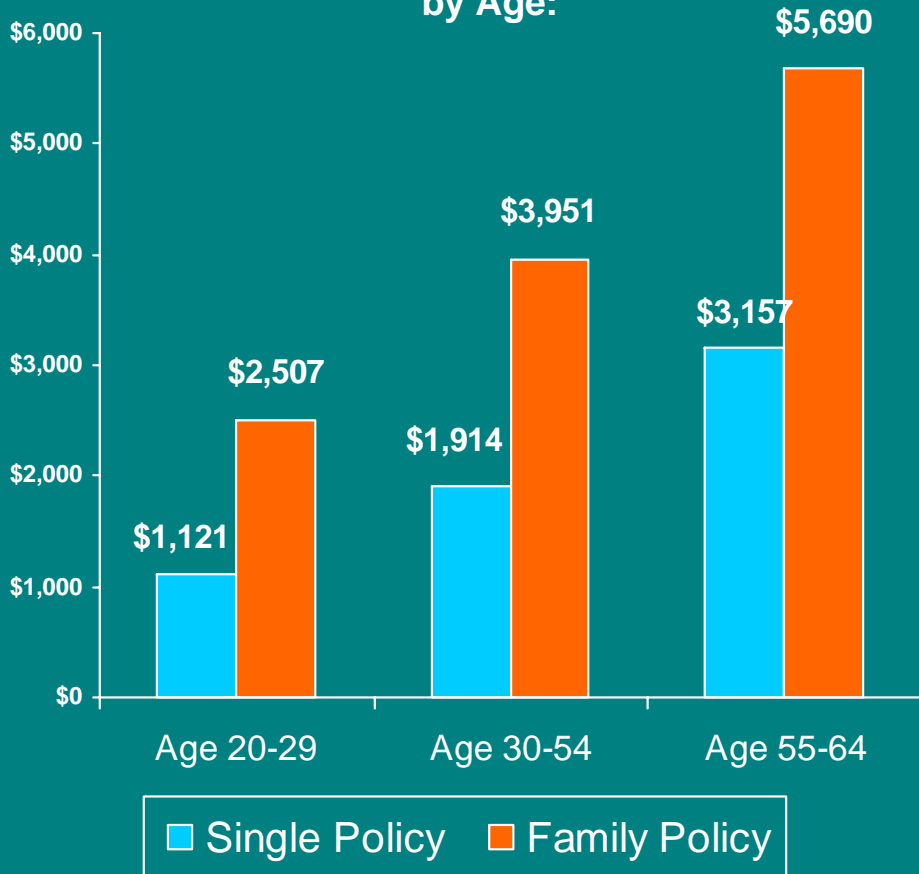
*Other includes those who did not break down their membership by market category.

What's happening in the market?

Market Profile - Premiums

Individual Market Average Premium

by Age:



Group Market Average Premium By Group Size

	Small-Group	Large-Group
Single Policy	\$2,772	\$2,745
Family Policy	\$6,995	\$6,715

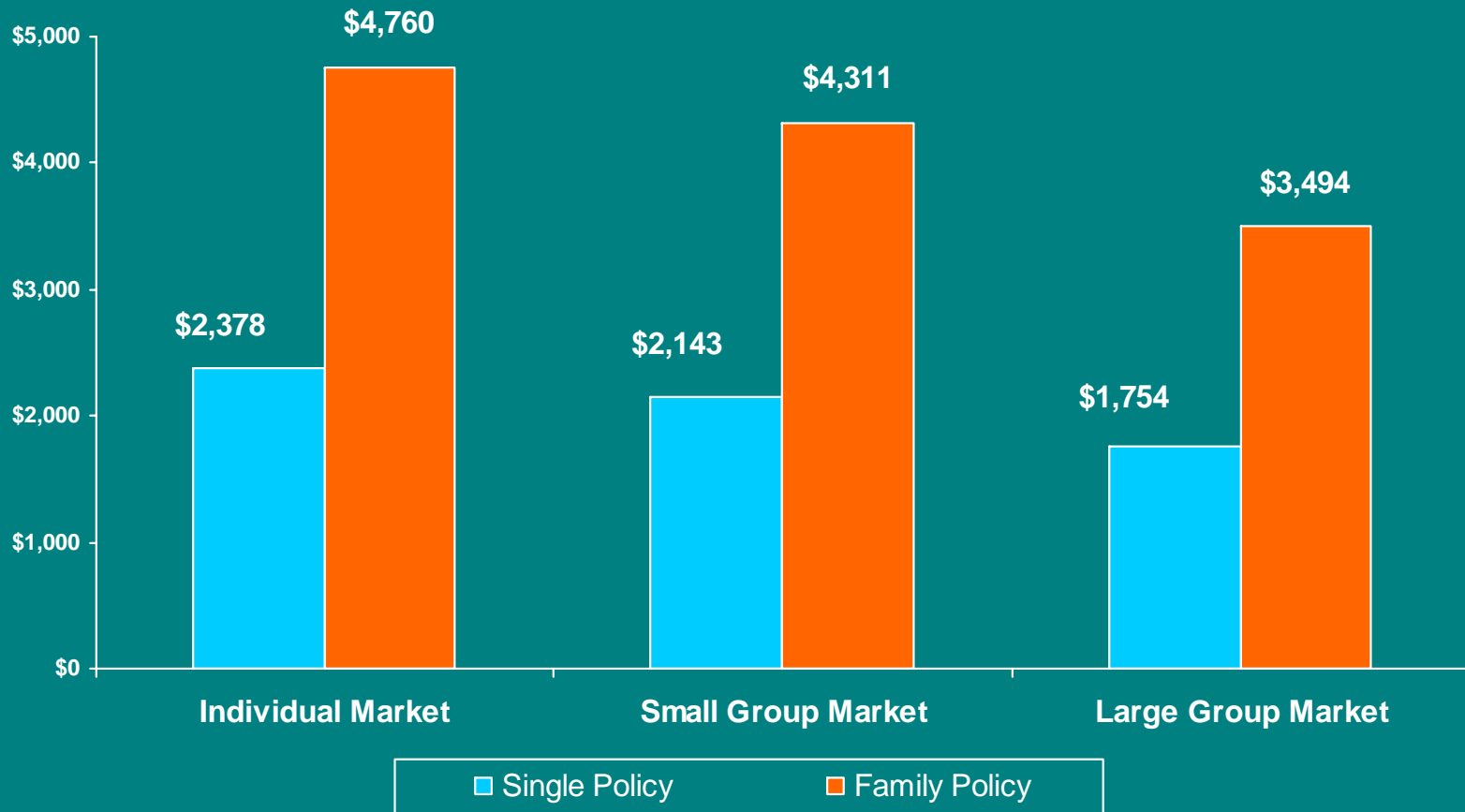


Source: AHIP Census Study, 2006

What's happening in the market?

2006 Market Profile - Deductibles

Average Annual Deductibles



Source: AHIP Census Study, 2006

What's happening in the market?

Demographic Profile (Individual Market)

- Percentage of new CDHP enrollees in the individual market previously uninsured: 31% (AHIP).
- Percentage of new HSA eligibles in the individual market with incomes under \$15,000 previously uninsured: 50% (eHealthInsurance)
- Percentage of new purchases in the individual market that were HSA-eligible products: 23%.

Sources: AHIP Census Study, 2006; eHealthInsurance.com, 2006

Average Age : 40 overall
36 for individual enrollees
41 for family enrollees
(AHIP) 50% are 40 and older, including dependants

Gender:
62% Male
38% Female

Annual Income:	<u>2005</u>
0-\$15,000	5.8%
\$15,001 - \$35,000	16.3
\$35,001 - \$50,000	20.2
\$50,001 - \$75,000	20.2
\$75,001 - \$99,000	15.6
\$100,000+	21.9



Source: eHealthInsurance, 2005

What's happening in the market?

Demographic Profile

	Comprehensive	HSA-eligible	CDHP
Gender			
Male	49%	55%	58%
Female	51	45	42
Age			
21-34	29%	17%	21%
35-44	25	24	31
45-54	26	33	33
55-64	19	26	15
Education			
High school graduate or less	32%	8%	5%
Some college, trade, business school	33	37	29
College graduate, some college	23	38	46
Graduate degree	11	17	21
Firm Size			
Self employed with no employees	2%	9%	8%
2-49	15	31	38
50-199	9	9	8
200-499	10	7	5
500 or more	55	37	36



Source: EBRI/Commonwealth, 2005

What's happening in the market?

More Demographics

Health Status

- 73% of APWU CDHP enrollees under age 65 report “excellent” or “very good” health status compared 58% of those enrolled in their PPO.

Source: GAO, 2005

- Those enrolled in CDHPs (57%) and HDHPs (48%) are more likely to report “excellent” or “very good” health, compared to 45% enrolled in traditional plans

Source: EBRI/Commonwealth, 2005

Full Replacement

- Two-thirds of employers who offer an HDHP/HSA, plan to do so as an option rather than a replacement for an existing plan.

Source: Council of Insurance Agents, 2005



Why are employers/consumers choosing/not choosing CDHP?



The decision to offer or enroll in CDHP's

Employers Reasons for Offering/Not Offering CDHP (Highlights)

Why employers are offering CDHP's

- 80% of employers find CDHP's to be at least somewhat effective at increasing employee involvement in health care decision making

Source: Watson Wyatt, 2006

- 59% of employers find CDHP's to be at least somewhat effective at controlling health care cost increases.

Source: Watson Wyatt, 2006

Why employers are not offering CDHP's

- 82% of employers are not offering CDHP's because they are concerned about product complexity and the education curve

Source: Council of Insurance Agents, 2005

- 51% believe that the pricing structure of HSA eligible plans are unattractive to employees.

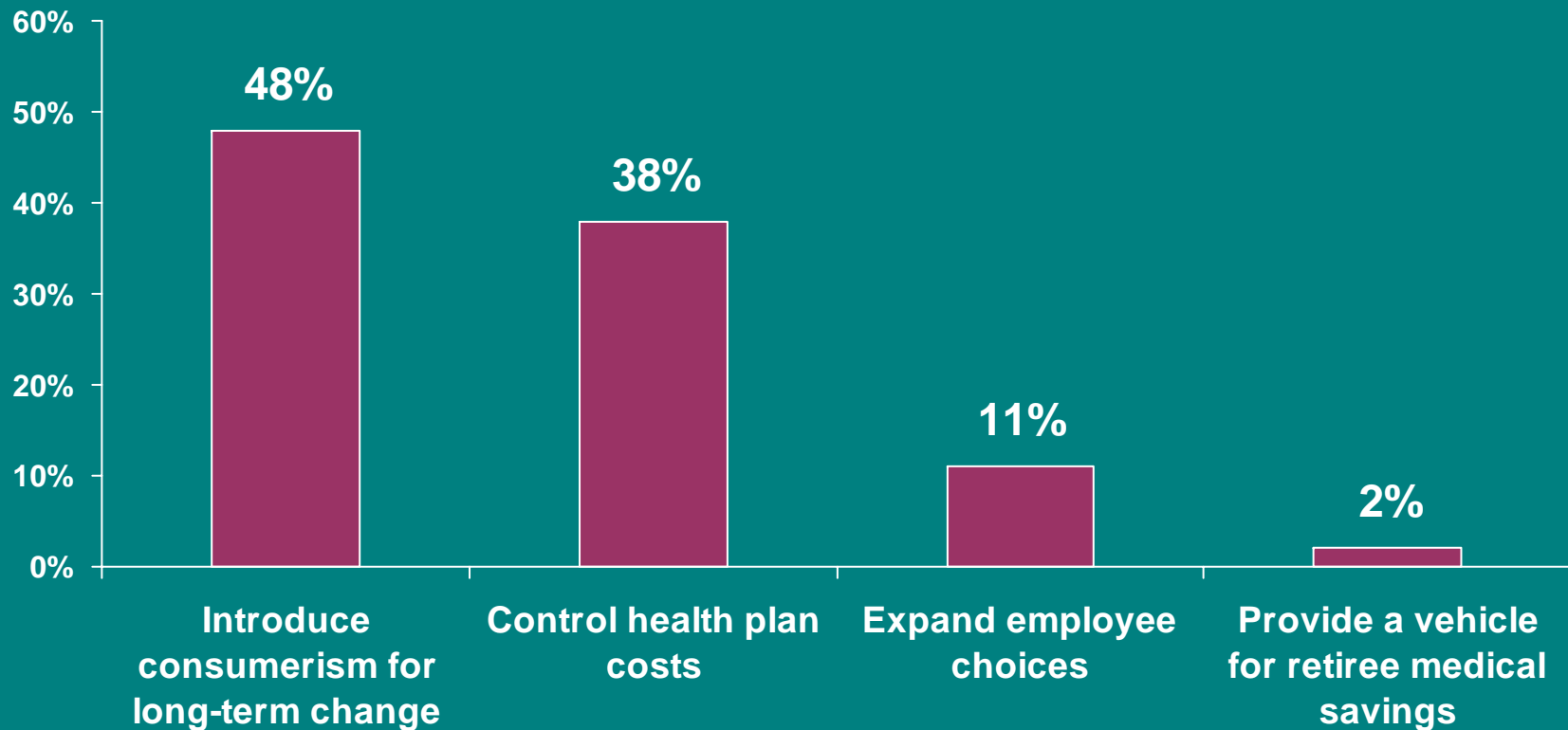
Source: Council of Insurance Agents, 2005



The decision to offer or enroll in CDHP's

Why employers are offering CDHP's

Main reason for offering CDHP to your employees



Source: AON, 2006

The decision to offer or enroll in CDHP's

Reasons employers offer CDHP

- 80% find CDHP's to be at least somewhat effective at increasing employee involvement in health care decision making Watson
- 59% find CDHP's to be at least somewhat effective at controlling health care cost increases Watson
- 40% said CDHP's offer "the most effective" approach for managing health care costs and maintaining quality care Deloitte
- 48% said that the plans would make employees better consumers of health care AON

*Sources: Watson Wyatt, 2006
Deloitte, 2006
AON Consulting, 2006*



The decision to offer or enroll in CDHP's

Reasons employers do not offer CDHP

- 82% Concerns about product complexity, the education curve
- 51% Pricing structure is unattractive to employees
- 37% Inability to carve out prescription drugs
- 26% Plan sponsor can not control how contributions to employee accounts are spent
- 21% Difficulty coordinating HSA with existing HRA or FSA
- 21% Concerns that HSA's many not yield retiree health savings originally forecasted

Source: Council of Insurance Agents , 2005



The decision to offer or enroll in CDHP's

Reasons employers do not offer CDHP

- Only 16% believe that these plans will be “very effective” in controlling health care costs

Source: Kaiser/HRET, 2005

- 62% believe biggest hurdle is employee resistance and/or entitlement to coverage
- 13% said that employee attraction and retention were the primary obstacles to change
- 42% are neither tracking nor measuring the financial effectiveness of the programs

Source: Deloitte, 2006



The decision to offer or enroll in CDHP's

Why employers are not offering CDHP

Main reason employer is not planning to offer a CDHP to employees

The CDHP concept is too new	30%
Do not believe enough employees will enroll to make it worth offering	20%
Currently satisfied with traditional plan designs	16%
Do not want to expose employees to potentially high claims costs	13%
CDHP will siphon off healthy employees from traditional plans	13%

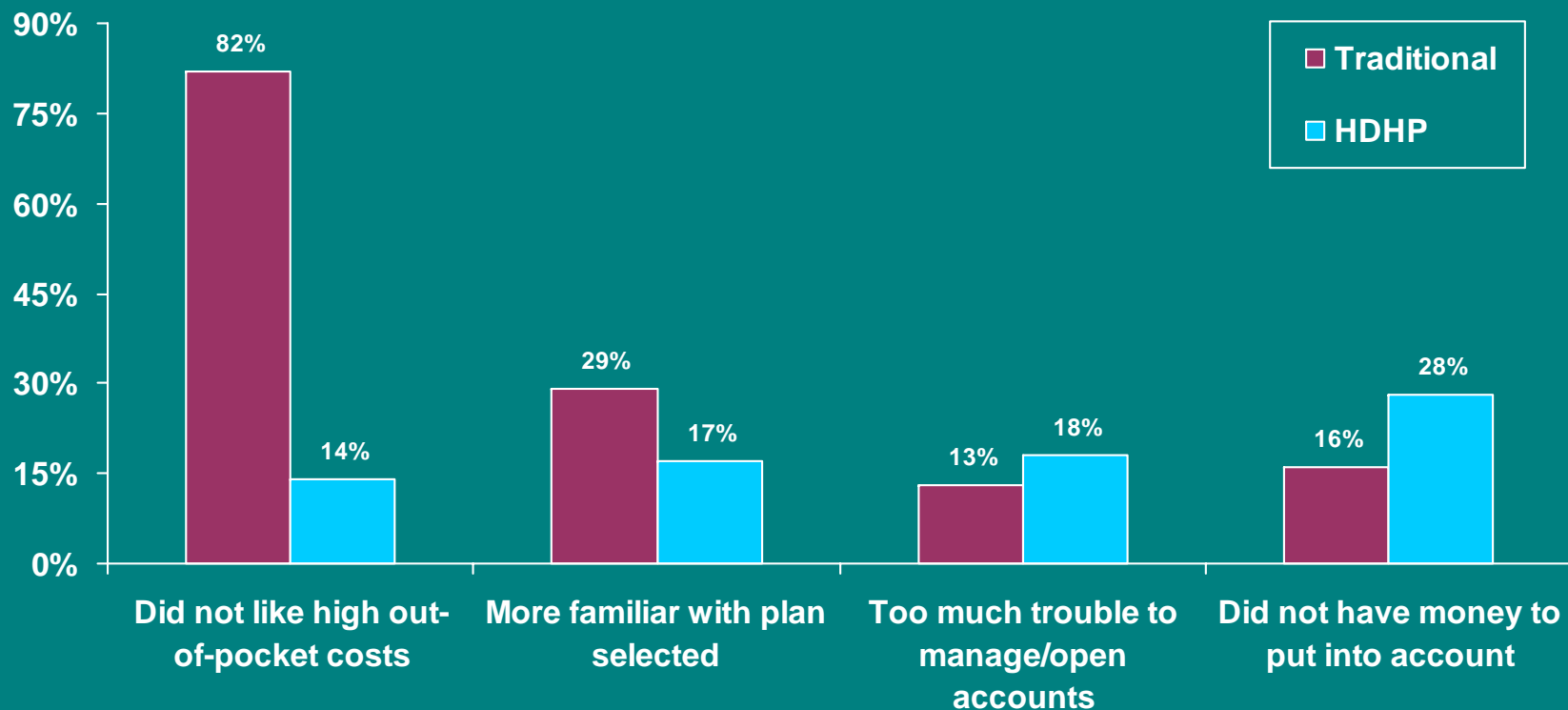
Source: AON, 2006



The decision to offer or enroll in CDHP's

Why consumers are not enrolling

Reasons for not taking CDHP or HDHP

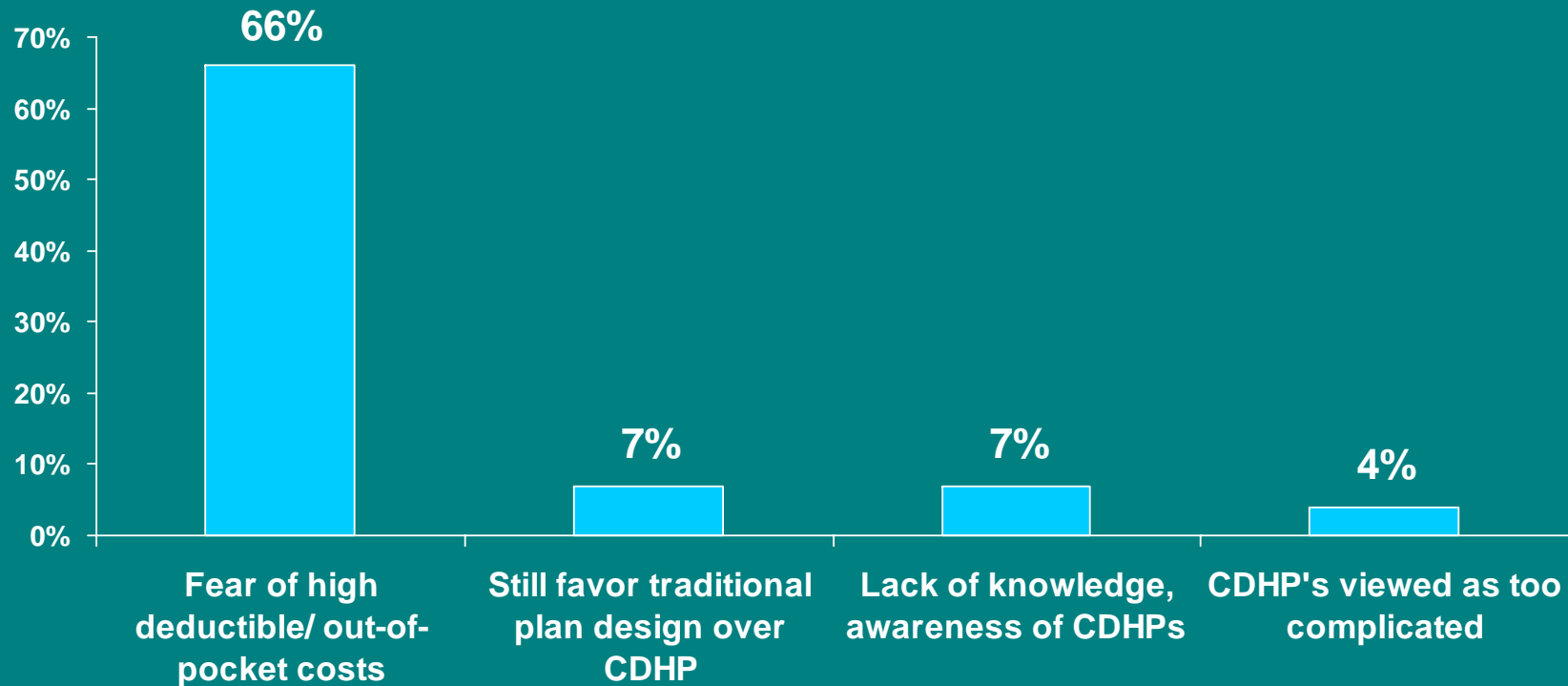


Source: EBRI/Commonwealth, 2005

The decision to offer or enroll in CDHP's

Why consumers are not enrolling in CDHP

Main reason employees do not enroll in CDHP

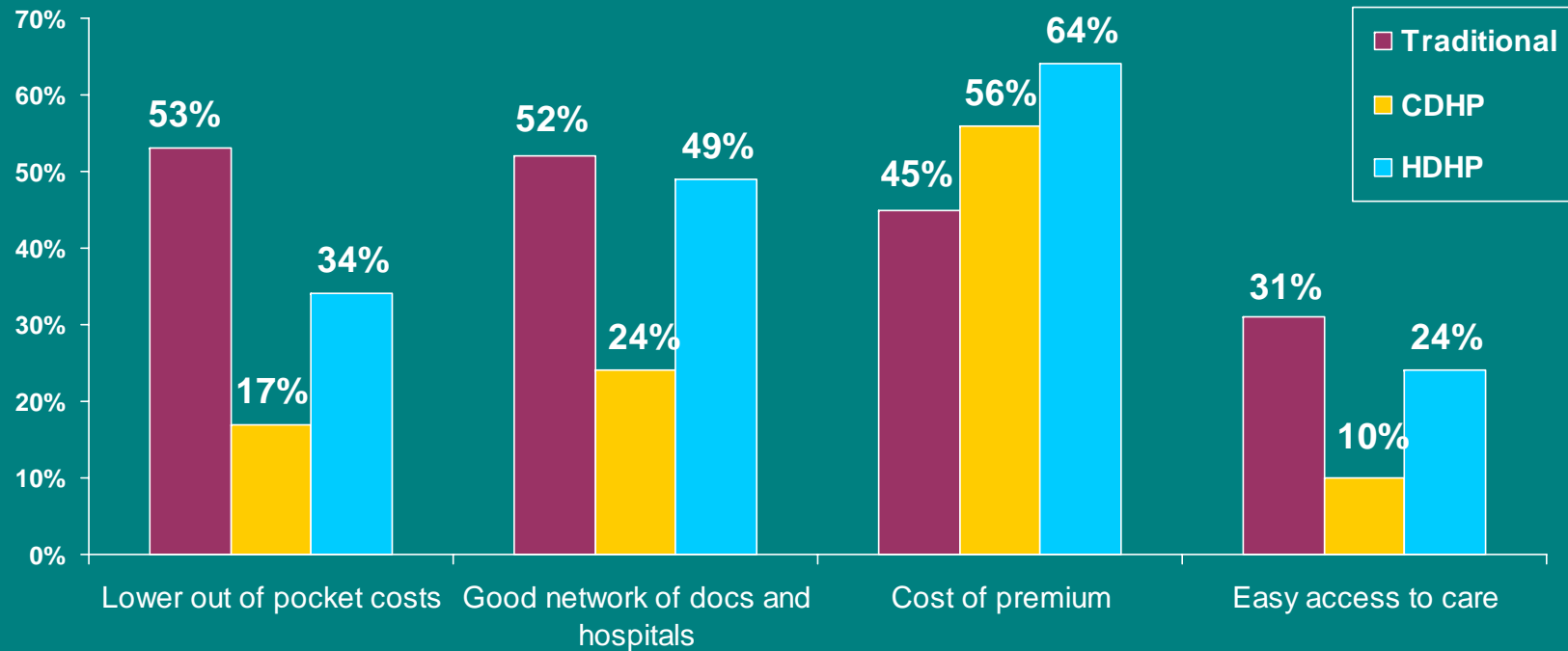


Source: AON, 2006

The decision to offer or enroll in CDHP's

Why consumers are enrolling

Main reasons for enrolling in your health plan



Source: EBRI/Commonwealth, 2005

How is CDHP performing in the market?



How is CDHP performing in the market?

Consumer behavior – Health information (Highlights)

- 55% of CDHP consumers talked to an MD about treatment opinions and cost vs. 43% of those with traditional plans.

Source: EBRI/Commonwealth, 2005

- 47% of CDHP consumers asked a doctor or pharmacist about the cost of an Rx vs. 27% of those in traditional plans

Source: McKinsey, 2005

- 58% of CDHP consumers talked to their doctors about a less expensive Rx substitute vs. 32% of those using traditional plans.

Source: McKinsey, 2005

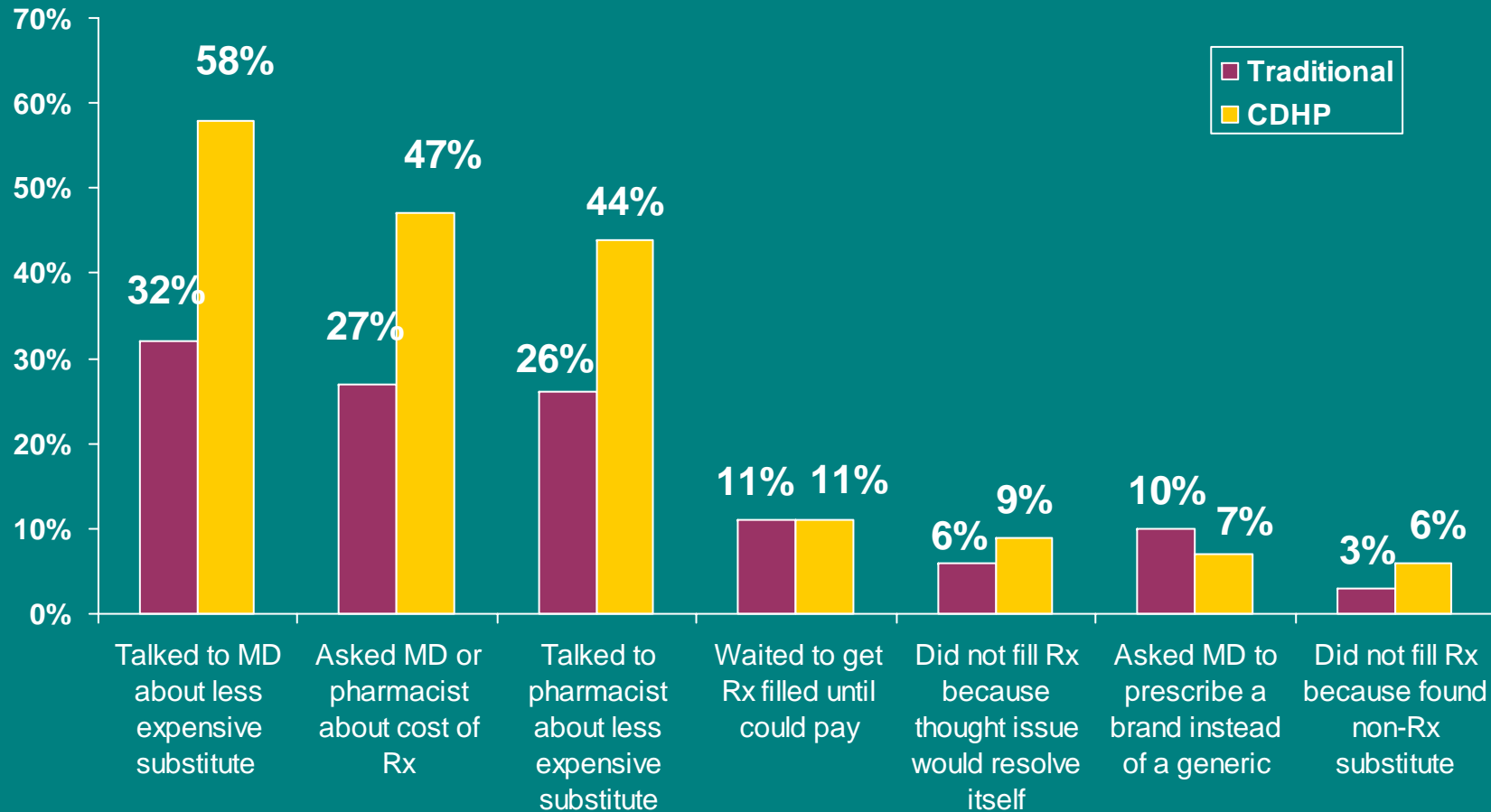
- HSA eligibles were more likely to use the nurse hotline (18%) than were consumers with traditional plans (8%).

Source: BCBSA, 2005



How is CDHP performing in the market?

Consumer behavior - Health information

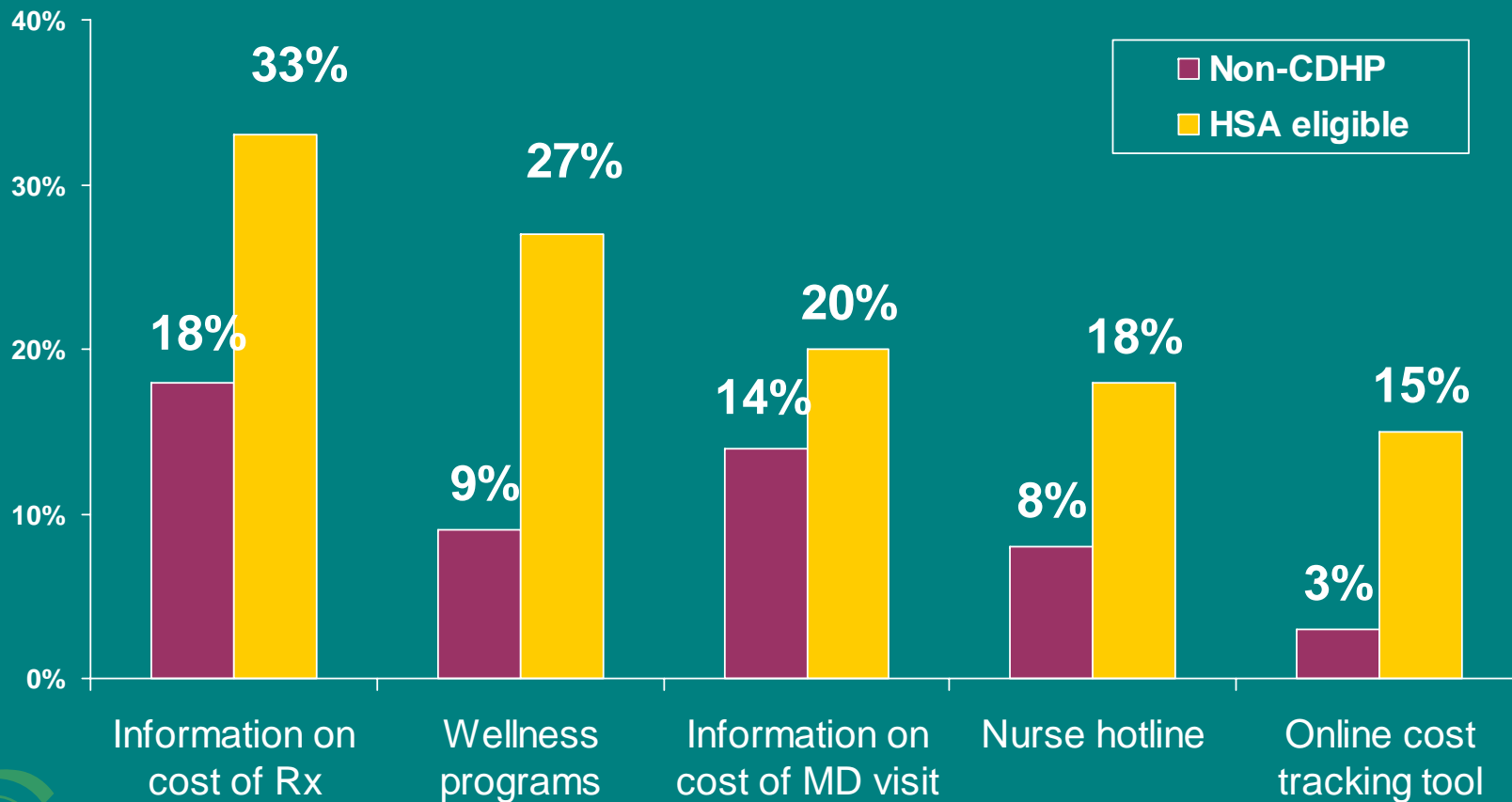


Source: McKinsey, 2005

How is CDHP performing in the market?

Consumer behavior - Health information

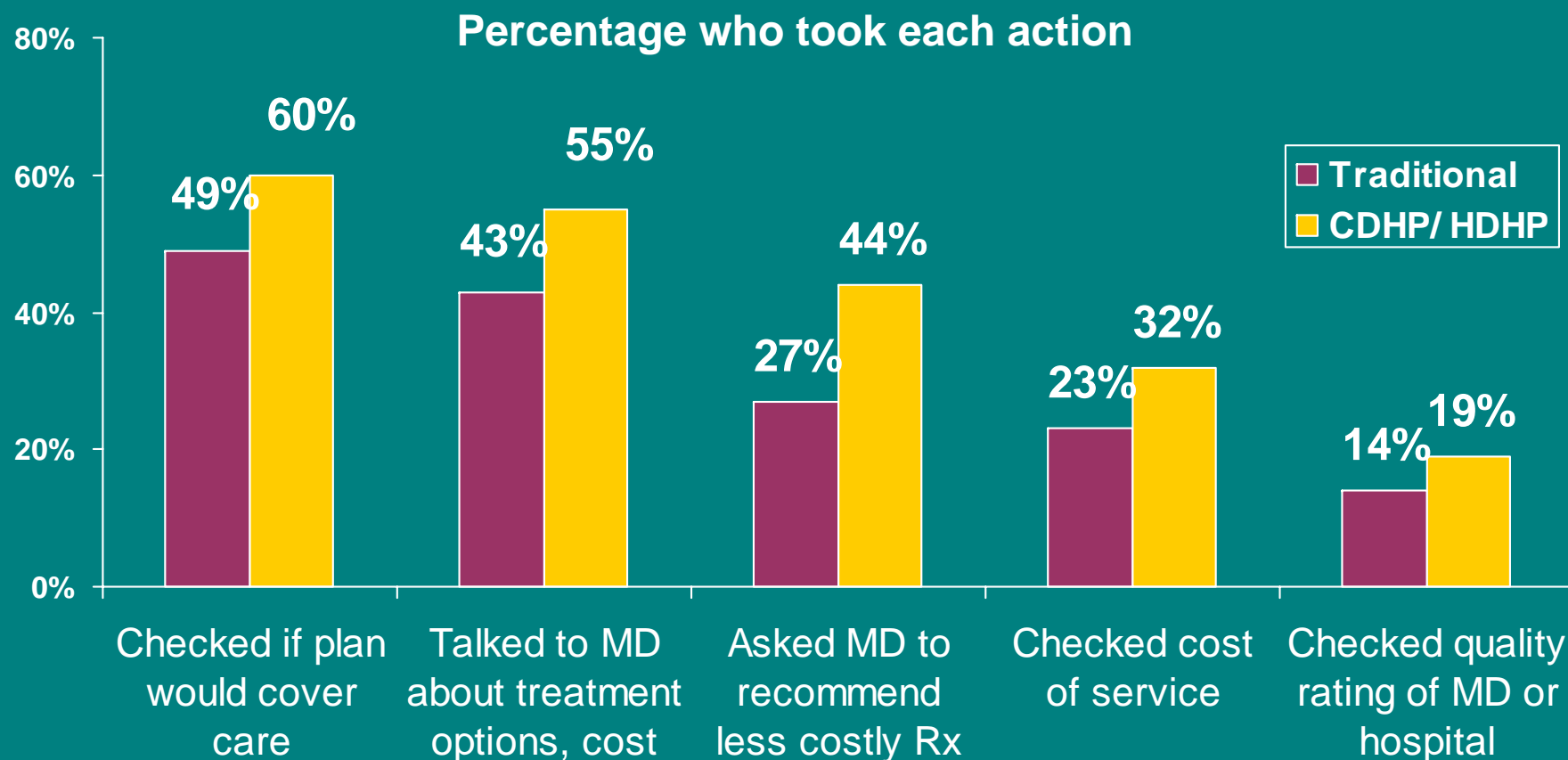
Percentage who used the following resources:



Source: BCBSA, 2005

How is CDHP performing in the market?

Consumer behavior – Health information



Source: EBRI/Commonwealth, 2005

How is CDHP performing in the market?

Consumer behavior - Utilization

- Consumers who moved to a CDHP used less health care (measured by total cost of claims) with an 8% drop in claims dollars over the prior year, compared to those who stayed in a traditional plan who had a 4% increase in claims dollars.
 - Costs dropped most for moderate and heavy users
 - Change occurred across all service types
 - Inpatient facility costs dropped 5%
 - Outpatient facility costs dropped 12%
- CDHP consumers had a higher usage of preventive care than those in traditional plans.
- Overall, pharmacy utilization expense was 5% higher for CDHP vs. traditional.
 - Reduced usage of medications for discretionary purchases (migraines, indigestion)
 - Increased usage of medications for chronic conditions
 - Usage of medications to control diabetes was up 18%
 - Usage of medications to control cholesterol was up 23%
 - Usage of medications to prevent heart attacks was up 18%
- Behavior changes continued after meeting the deductible.

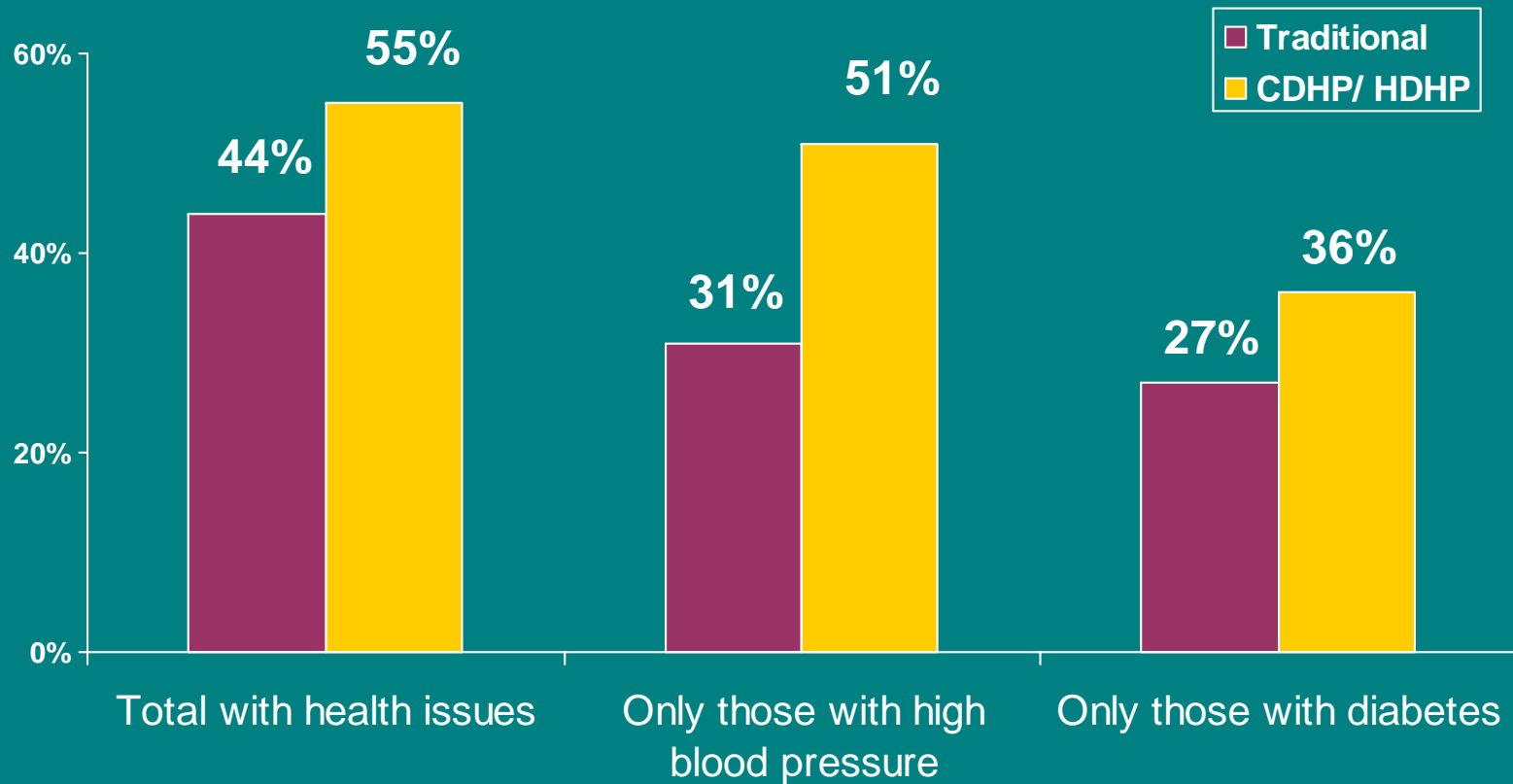


Source: CIGNA, 2006

How is CDHP performing in the market?

Consumer behavior - Utilization

Percentage who very carefully follow the treatment regimens

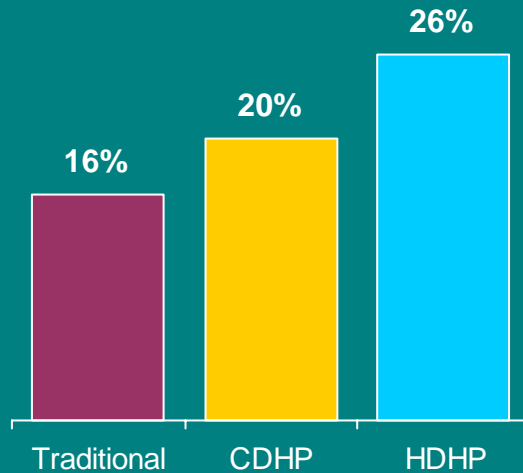


Source: McKinsey, 2005

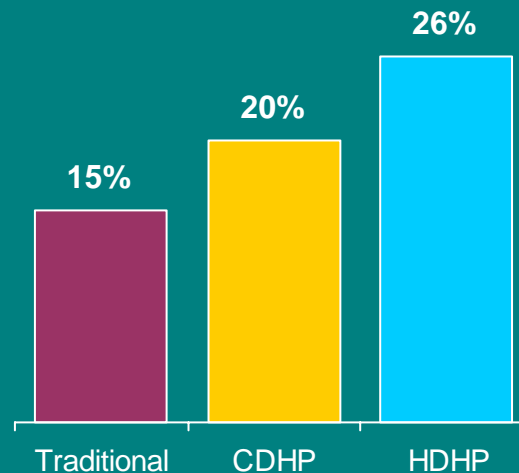
How is CDHP performing in the market?

Consumer behavior - Utilization

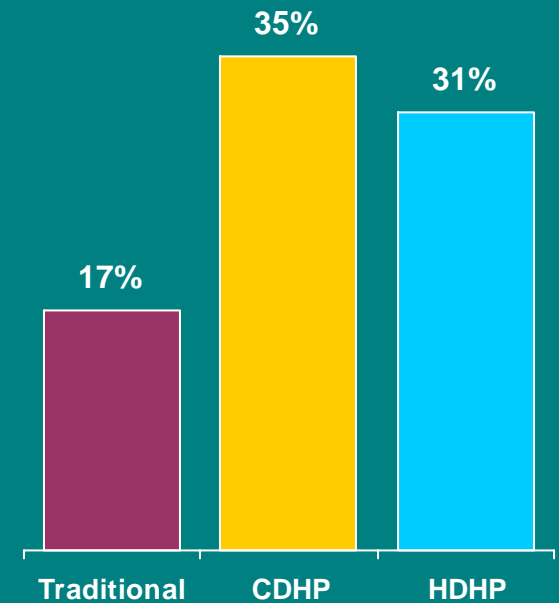
Did not fill prescription due to cost



Skipped doses to make prescription last



Delayed/avoided care when sick due to cost



Source: EBRI/Commonwealth, 2005

How is CDHP performing in the market?

Controlling cost (Highlights)

➤ In 2006, cost increases for all plan types among large groups averaged 7.1%, but were just 2.6% for CDHP

Source: Deloitte, 2006

➤ In the individual market, CDHP rates were down 19% for single coverage and 4% for family coverage between June 2004 and January 2005

Source: e-HealthInsurance, 2005

➤ Despite lower premiums, total employer costs for HRAs is higher than for traditional plans due to the contributions to the accounts. Total employer costs for HSAs are lower than for traditional plans.

Source: Kaiser/HRET, 2005

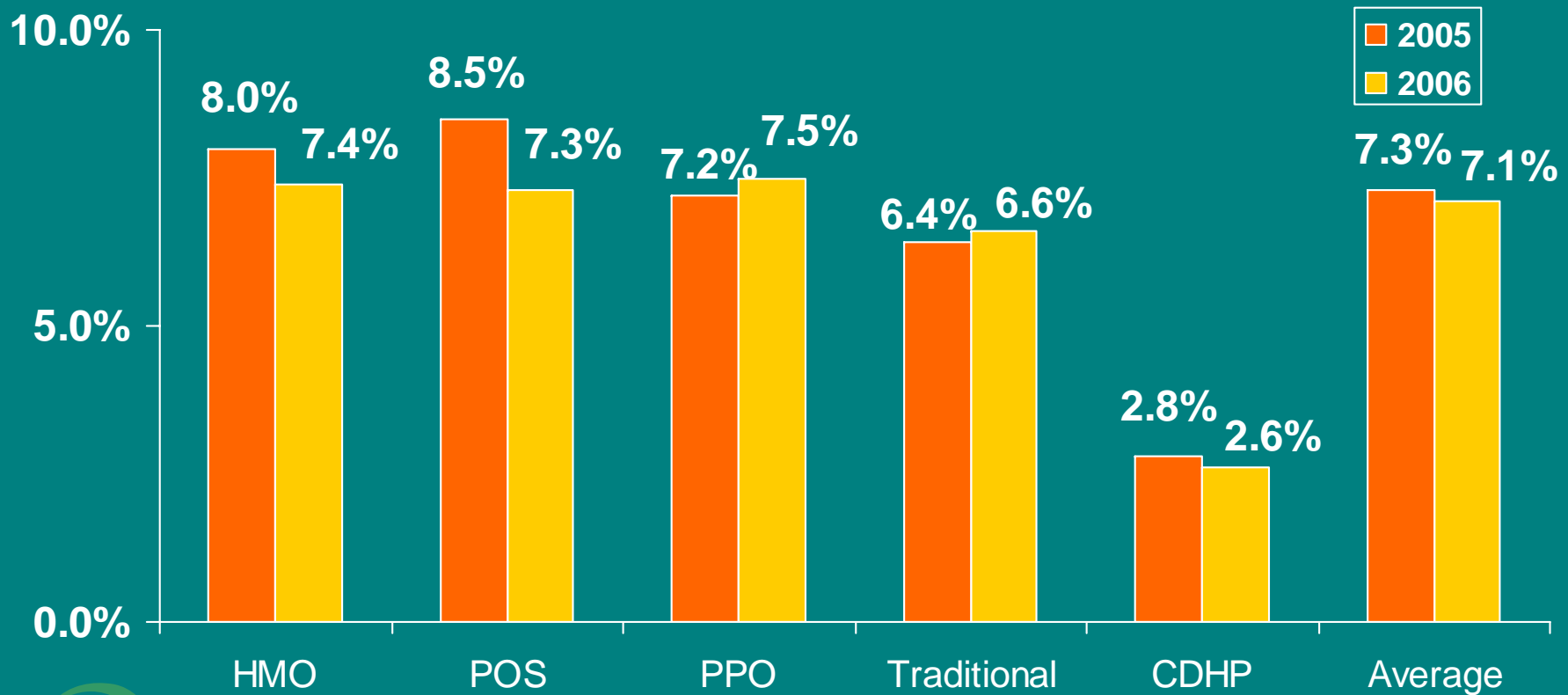


How is CDHP performing in the market?

Controlling cost

Premium Increases Over Prior Year

By Product: 2005 - 2006 (Large group market)

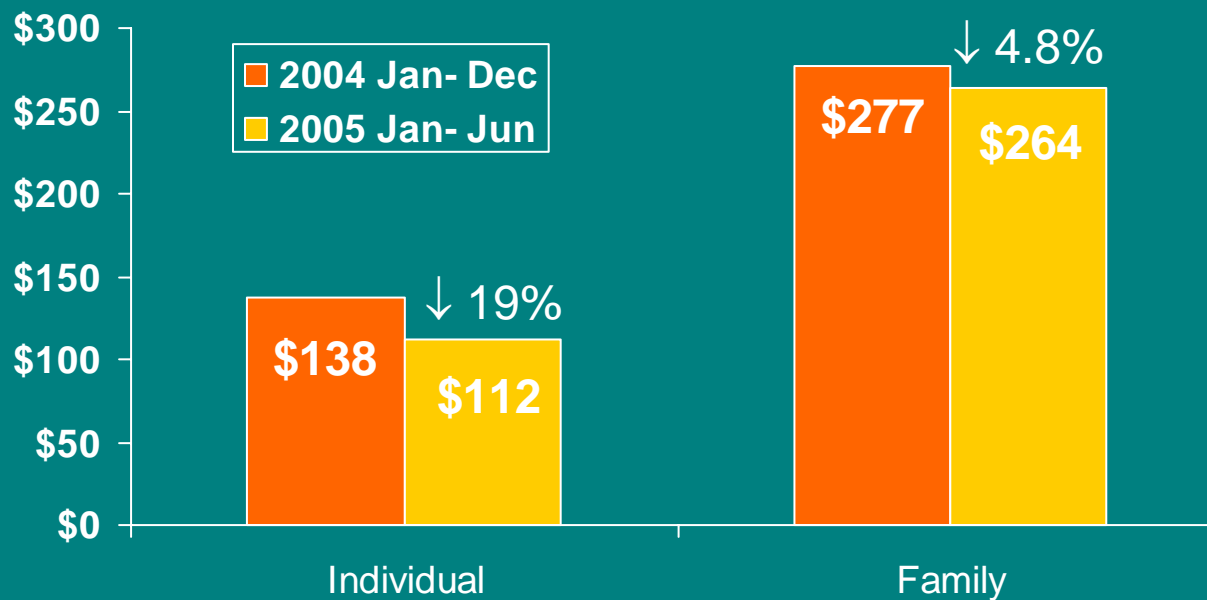


Source: Deloitte, 2006

How is CDHP performing in the market?

Controlling cost

Change in CDHP Rates: By Single/Family, By Age Group



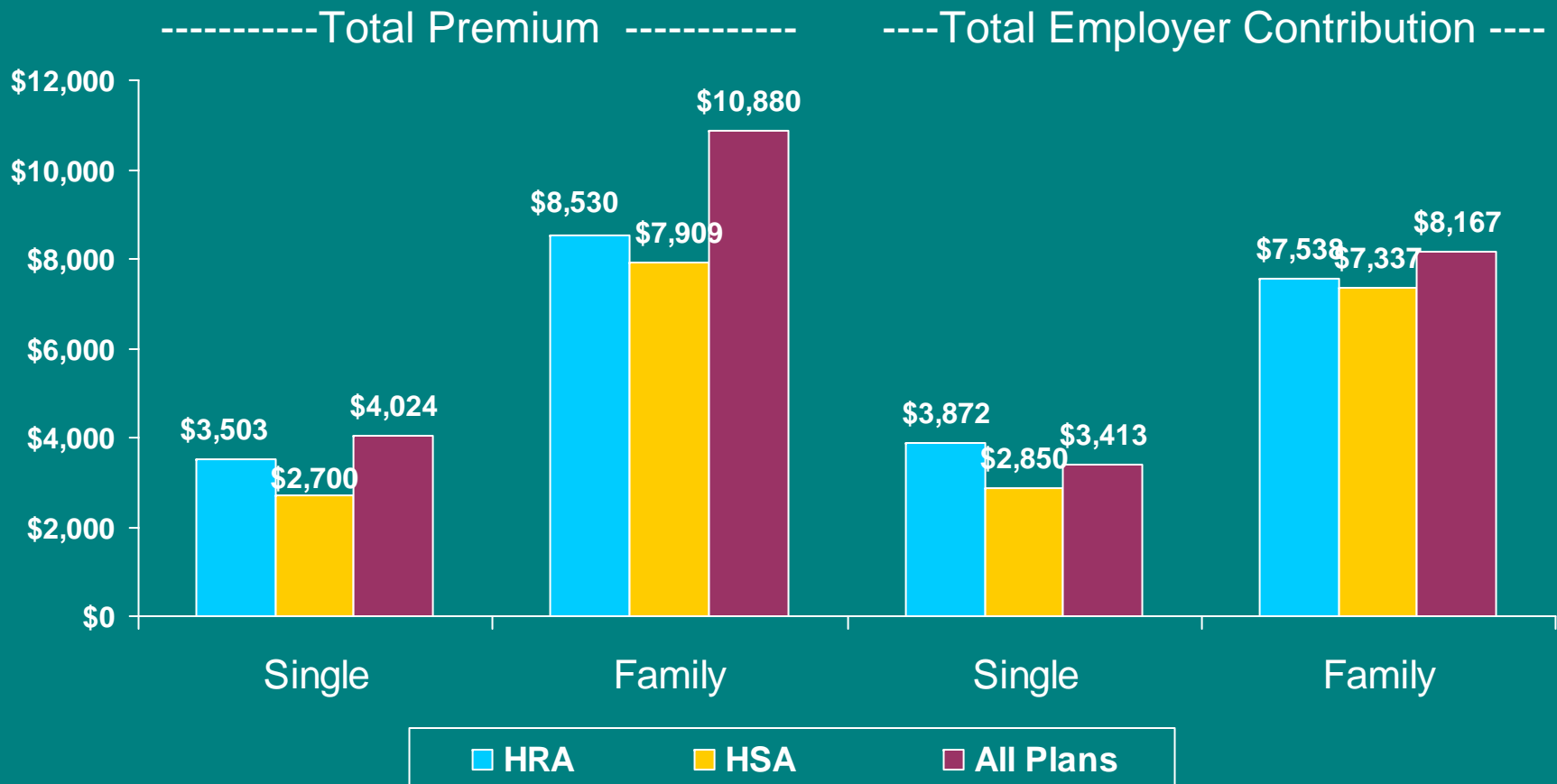
<u>AGE</u>	<u>2004</u>	<u>2005</u>
18-24	\$73.39	\$65.54
25-34	\$88.00	\$79.44
35-44	\$129.01	\$110.02
45-64	\$222.05	\$187.07



Source: e-HealthInsurance, 2005

How is CDHP performing in the market?

Controlling cost



Source: Kaiser/HRET, 2005

How is CDHP performing in the market?

Satisfaction and loyalty (Highlights)

➤ In 2003-2004, 67% of people with CDHP said they were satisfied overall, compared with 76% of people with PPO plans and 53% of people with other new plans.

Source: GAO FEHBP, 2005

➤ 68% of HSA eligibles are satisfied with the performance of their health insurer, compared with 56% who have non-CDHP plans.

Source: BCBSA, 2005

➤ 44% of CDHP consumers are as satisfied or more satisfied with CDHP vs. their previous plan, which typically had more benefits.

Source: McKinsey, 2005

➤ 42% of HSA-eligibles are much more or somewhat satisfied overall, compared to 20% of those with non-CDHP plans.

Source: BCBSA, 2005

➤ 42% of people with CDHP plans said they were extremely or very satisfied overall, compared with 33% with HDHP and 63% with non-CDHP.

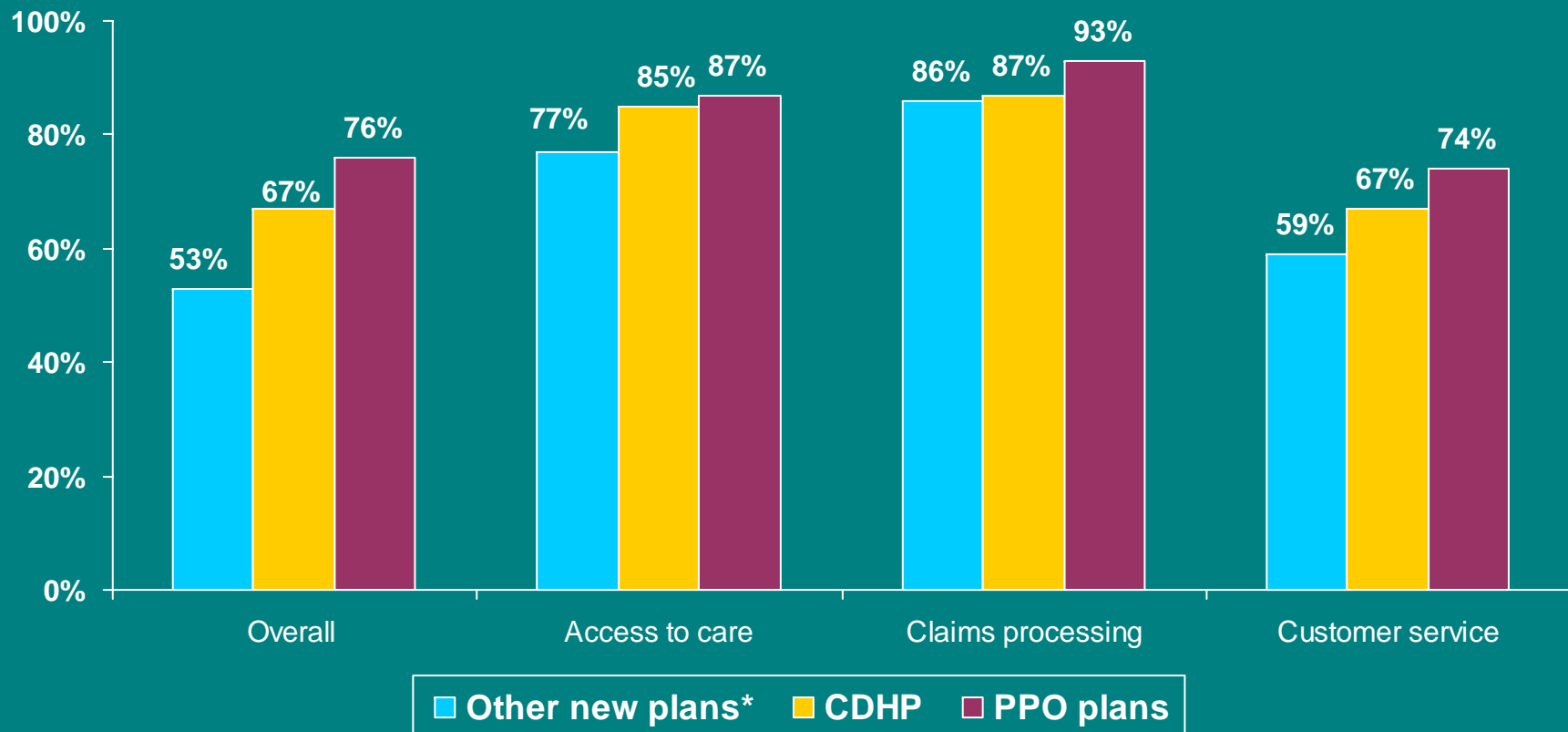
Source: EBRI/Commonwealth, 2005



How is CDHP performing in the market?

Satisfaction and loyalty: Consumer

Percentage satisfied by plan type



Source: GAO FEHBP, 2005

* Other new plans includes those who changed to a new plan (not CDHP)

How is CDHP performing in the market?

Satisfaction and loyalty: Consumer

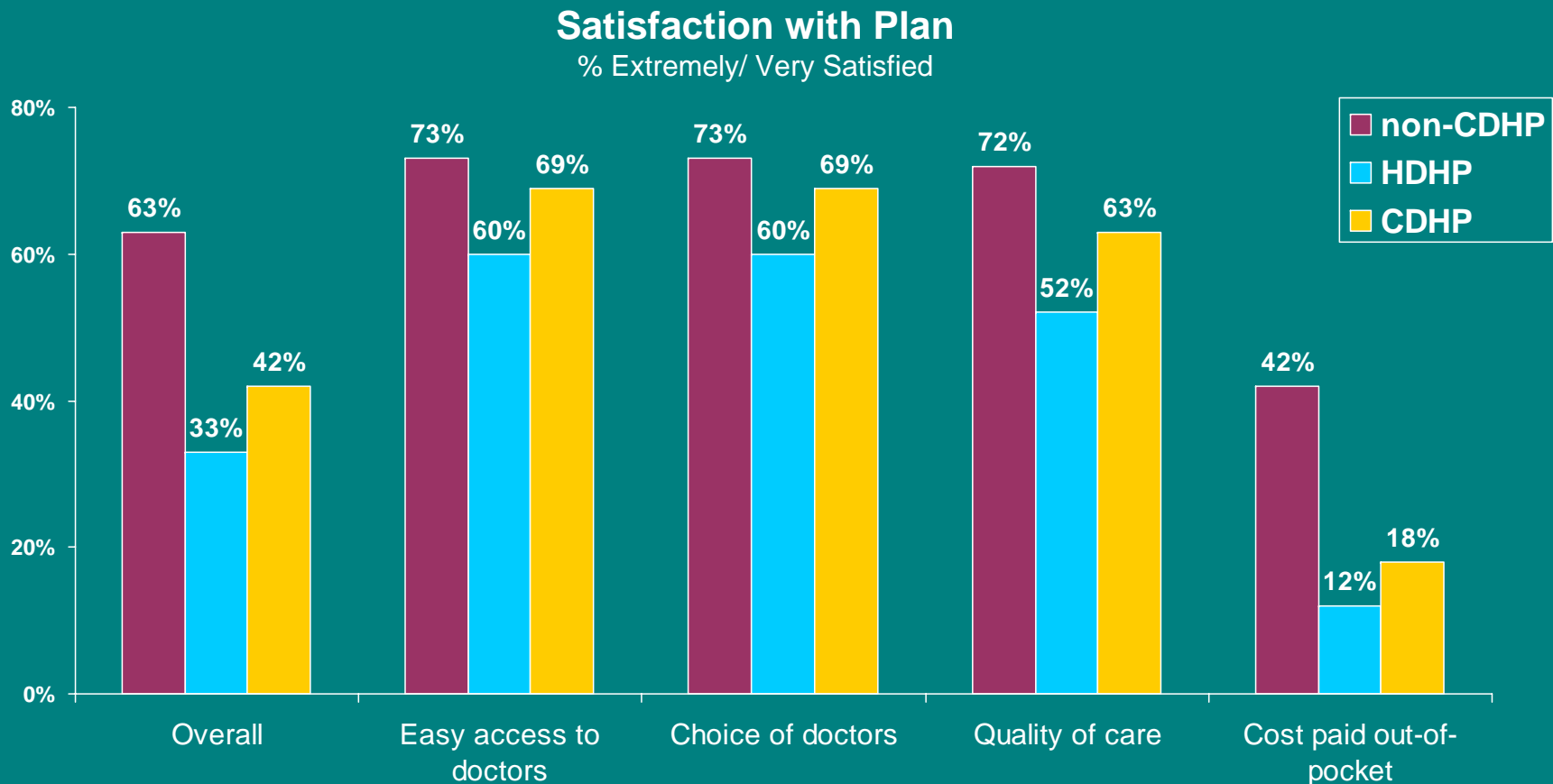
- 44% of CDHP consumers are as satisfied or more satisfied with CDHP vs. previous plan, which typically had more generous benefits.
 - 80% indicated they did not have sufficient information on prices, doctor's charges
- Satisfaction did not vary by health status, but did vary by employer. McKinsey suggests this was partly due to differences in how plans/employers helped consumers handle increased responsibility

Source: McKinsey, 2005



How is CDHP performing in the market?

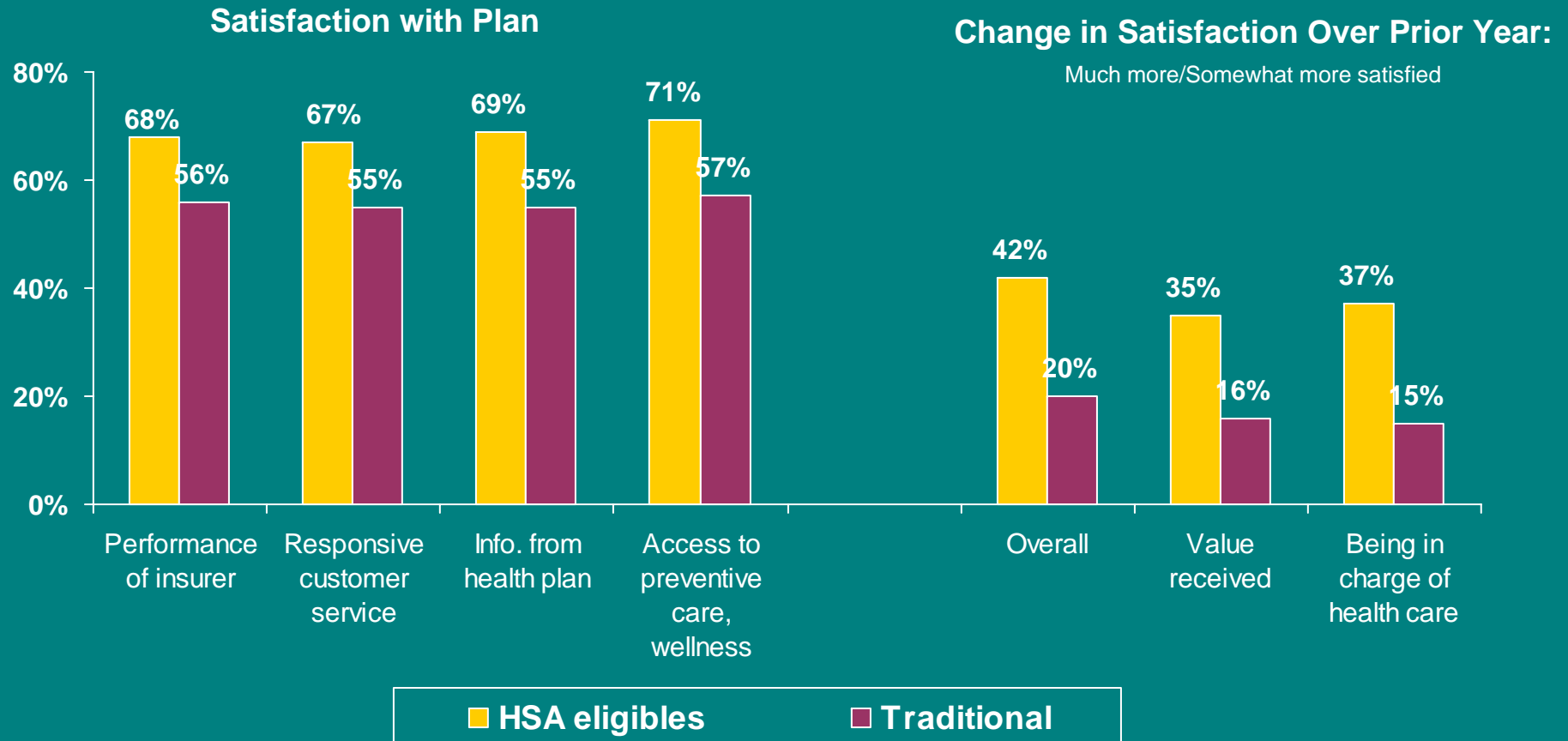
Satisfaction and loyalty: Consumer



Source: EBRI/Commonwealth, 2005

How is CDHP performing in the market?

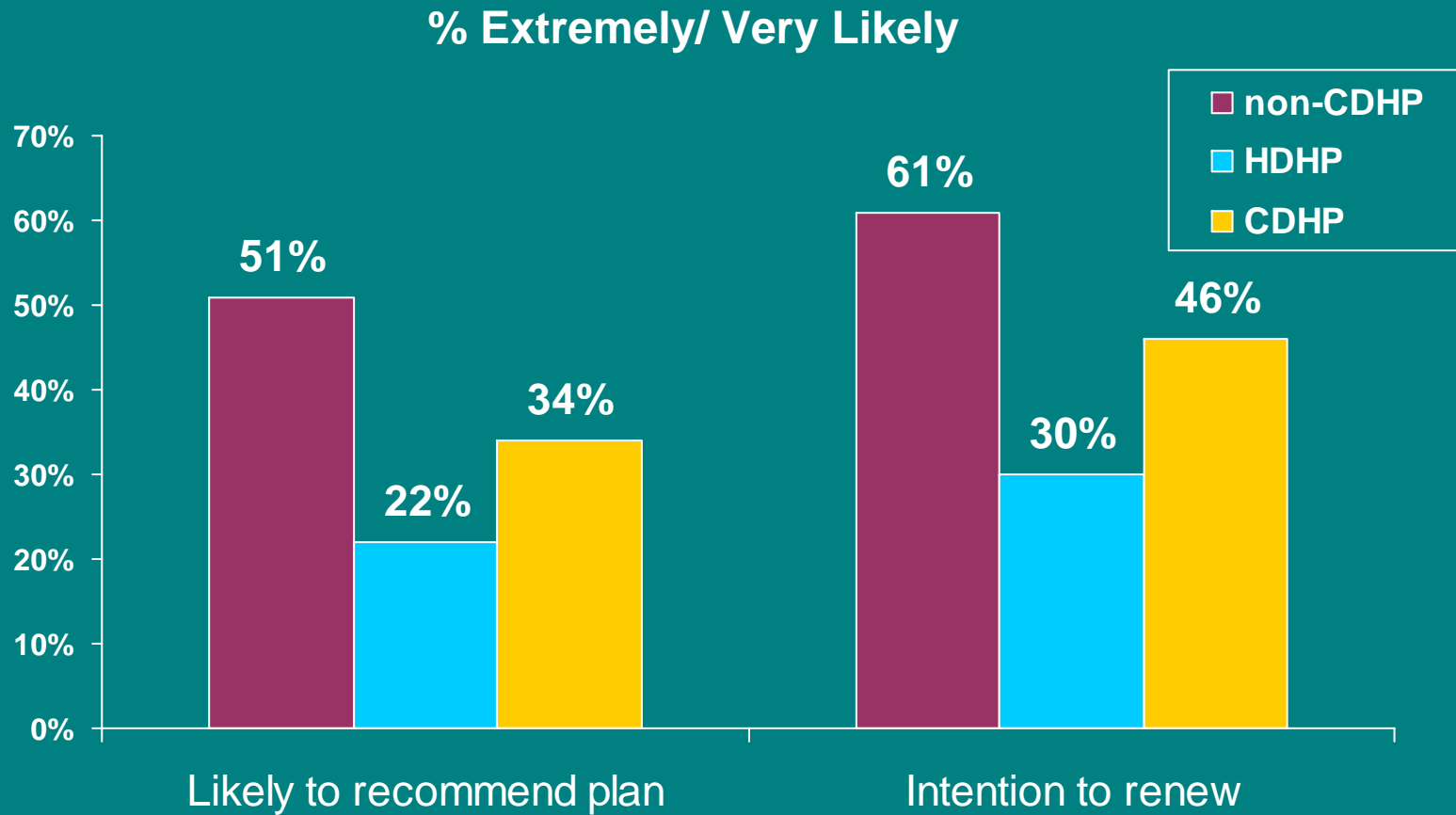
Satisfaction and loyalty: Consumer



Source: BCBSA, 2005

How is CDHP performing in the market?

Satisfaction and loyalty: Consumer

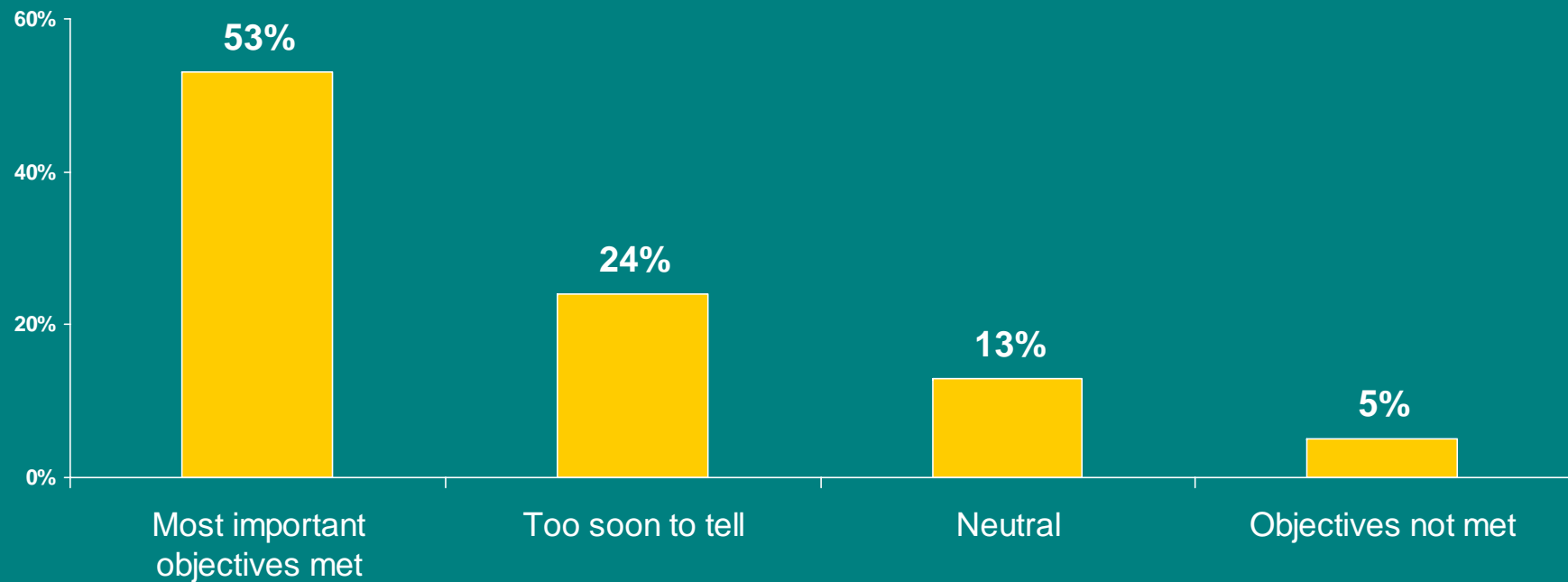


Source: EBRI/Commonwealth, 2005

How is CDHP performing in the market?

Satisfaction and loyalty: Employer

Has CDHP met your company's objectives?

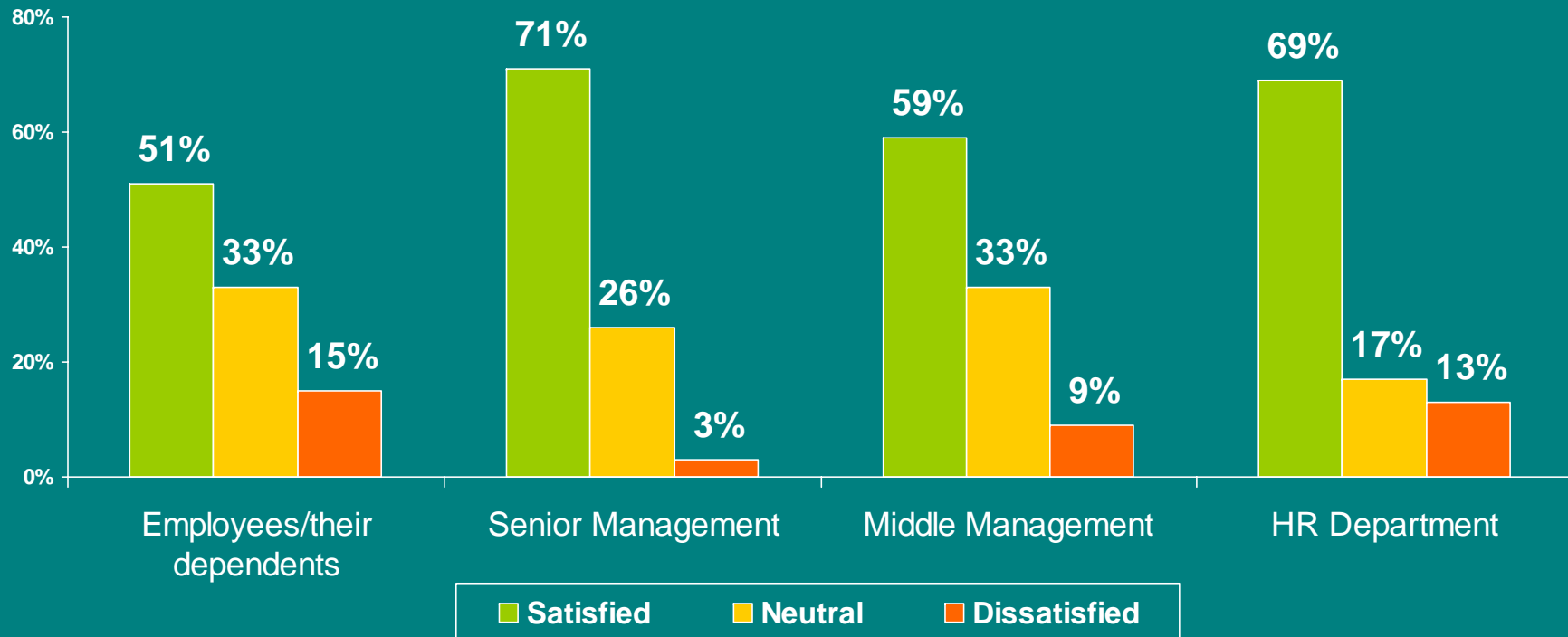


Source: Mercer, 2005

How is CDHP performing in the market?

Satisfaction and loyalty: Employer

How satisfied are each of the following constituencies with your CDHP?



Source: Deloitte, 2005

How is CDHP performing in the market?

Using the savings account (Highlights)

➤ Each year, employers contribute an average of \$550 for HSAs and \$790 for HRAs with single coverage.

Source: Kaiser/HRET, 2005

➤ About 40% of those with a rollover option are able to rollover at least \$500 at year's end.

Source: EBRI/Commonwealth, 2005

➤ About half of consumers with single coverage spend less than half of their HRA funds each year, with 36% spending the entire balance.

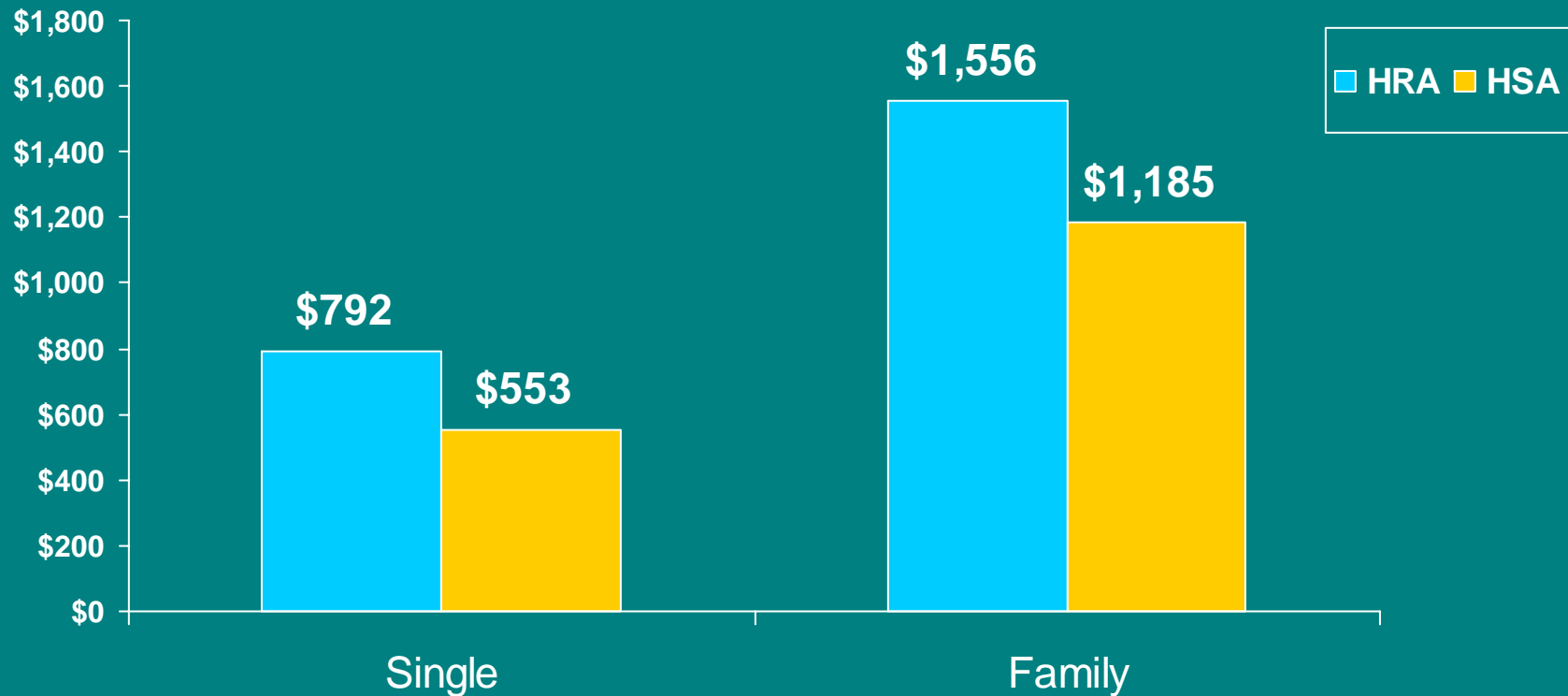
Source: GAO, 2006



How is CDHP performing in the market?

Using the savings account

Average Annual Employer Contribution

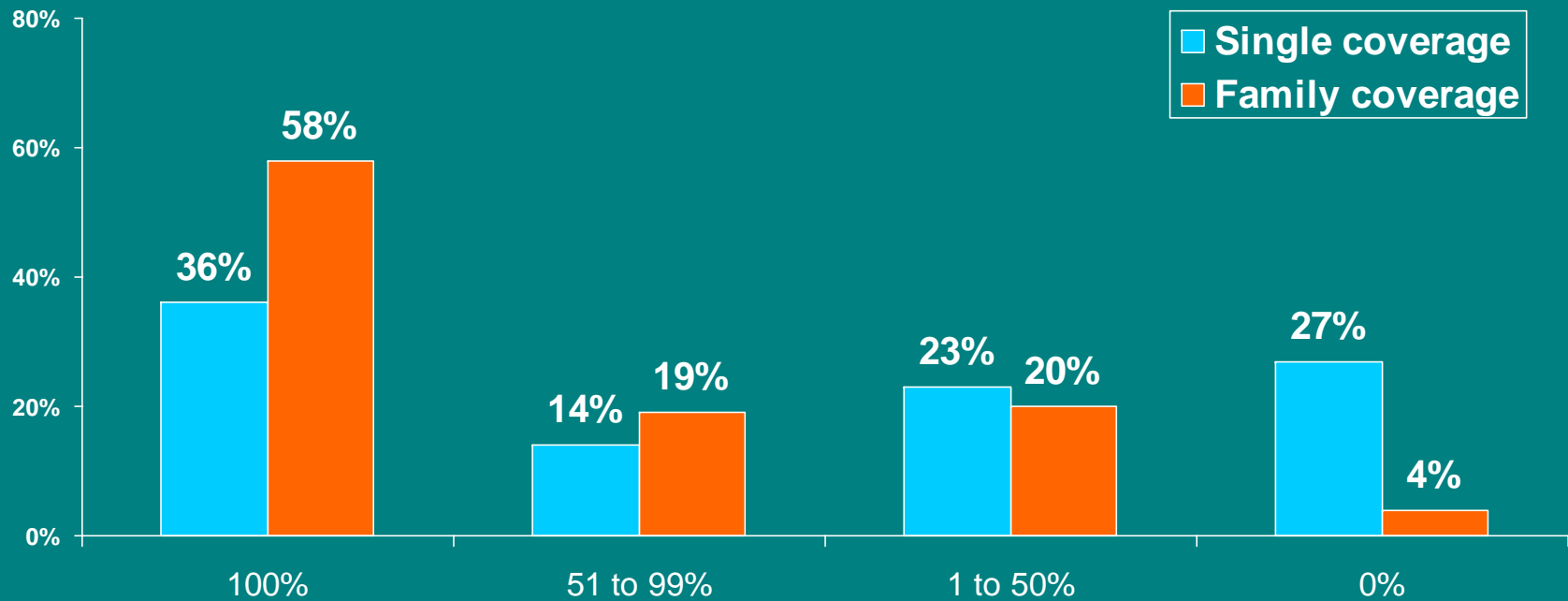


Source: Kaiser/HRET, 2005

How is CDHP performing in the market?

Using the savings account

Average Share of HRA Funds Spent by Enrollees, 2004

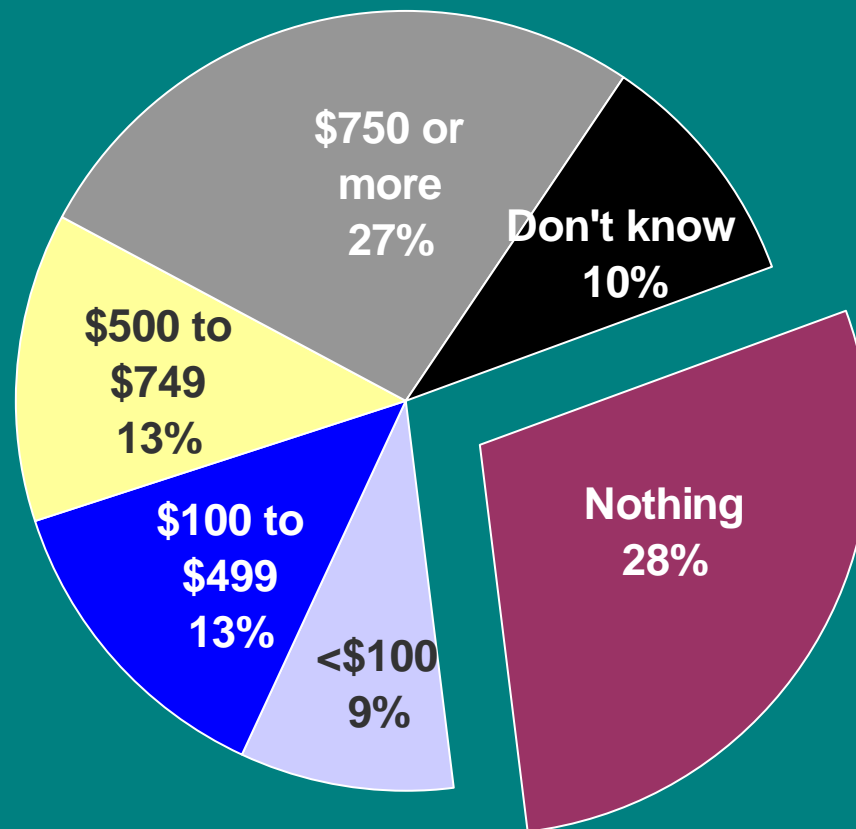


Source: GAO, 2006

How is CDHP performing in the market?

Using the savings account

Amount Rolled Over from Prior Year
(Among CDHP owners with 1+ years in plan)



Source: EBRI/Commonwealth, 2005

***What kind of market growth
should we expect in the
future?***



The future of CDHP's

- 43% of US companies either have a CDHP in place or will offer one in the next two years (21%). 51% said they are reviewing CDHP options and may offer it in the future.

Source: Deloitte, 2006

- Of those considering offering a CDHP in 2007 or beyond, 28% plan to offer an HRA and 54% plan to offer an HAS; 18% plan to offer both.

Source: Deloitte, 2006

- 36% of health care insurance executives believe HSA's/HDHP's will be the fastest growing new product in the next year.

Source: American Re HealthCare, 2006



List of sources



Index of Studies

Sponsor	Sample size	Study methodology	Date of release
AHIP Census Study	"almost all" AHIP members	AHIP member companies	January, 2006
American Re HealthCare	100+	Survey of CEO and CFO executives	April, 2006
Aon Consulting/ISCEBS	434	Survey of ISCEBS members and select AON consulting clients	2006
Aon Consulting/ISCEBS	210	Survey of ICEBS Members	2005
Blue Cross Blue Shield Association	1,861 HSA eligible, 196 with HRA, 1,066 non-CDHP	Online survey of adults with health coverage	Sep-05
CIGNA Corporation	42,200	Analysis of claims from continuously enrolled members who switched to HRA or HSA	February, 2006
Council of Insurance Agents	77	Survey of Council members - Employee Benefits Market Study	2005
Deloitte Center for Health Solutions	152	Survey of HR Benefit Executives from large US companies	March, 2006
EBRI/Commonwealth Fund	1,204 National; 185 CDHP; 463 HDHP	Online survey of adults with private health insurance	December, 2005
eHealthInsurance.com	"several thousand" HSA purchasers	HSA-eligible plans sold by eHealthInsurance.com	July, 2005
GAO Consumer Directed Health Plan Report	unknown	Analysis of HRA account data supplied to GAO by 3 large, multistate insurance carriers	April, 2006
GAO FEHBP	unknown	CAHPS survey of APWU enrollees	2005
Kaiser Family Foundation/HRET	2,013	Survey of randomly selected public and private employers	May, 2005
McKinsey & Company	2,500	Survey of adults with health coverage, incl. full-replacement CDHPs	March, 2005
Mercer Human Resource Consulting	3,020, 88 with CDHP	Survey of employer health plan sponsors, including those with CDHP	February, 2005
Watson Wyatt/National Business Group	585	Survey of mid-size and large companies	2006

NOTE: This list includes all studies used in this presentation.

For more information, contact:

Anne Elmlinger

Mathew Greenwald & Associates, Inc.

(202) 686-2510 ext. 141

AnneElmlinger@GreenwaldResearch.com

or

Greg Kline

Mathew Greenwald & Associates, Inc.

(202) 686-2510 ext. 109

GregKline@GreenwaldResearch.com

