Consumer Driven Care: Potential and Concerns

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Consumer Driven Healthcare Summit
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Data Sources

- EBRI/Commonwealth Fund Consumerism in Health Care Survey
  - 1,204 Adults 21-64, September 28 - October 19, 2005; Harris Online
  - Comprehensive – plan with no deductible or <$1000 (individual), <$2000 (family) - n=1,061 (all from national sample)
  - HDHP – plan with deductible $1000+ (individual), $2000+ (family), no account - n=463 (126 – national, 337 – oversample)
  - CDHP – plan with deductible $1000+ (individual), $2000+ (family), with account - n=185 (17 – national, 168 – oversample)
  - Will be repeated this fall
  - Released in December 2006
Data Sources (con’t)

- Commonwealth Fund 2005 Biennial Health Insurance Survey
  - 1,878 adults ages 19–64 insured all year with private insurance, August 18, 2005–January 5, 2006; telephone; Princeton Survey Research Associates
  - Deductibles under $500, $500-999, $1000 and over
  - New results on employer-sponsored and individual insurance and by size of deductible released today
- Kaiser Survey of Employer Health Plans, 2005
Employers Contributions Lower for Workers in HSA-Qualified HDHP; Employees Premiums and Deductibles Higher

Dollars

<table>
<thead>
<tr>
<th>Worker contribution</th>
<th>Employer contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>HSA-qualified HDHP</td>
<td>All plans^</td>
</tr>
<tr>
<td>Worker contribution</td>
<td>Employer contribution</td>
</tr>
<tr>
<td>$431 $1,779 $1,348</td>
<td>$553 $2,823 $3,413</td>
</tr>
</tbody>
</table>

Few Insured People Are Currently Covered by High Deductible Health Plans

ESI, Deductible $1000 or more (7%)
Individual, Deductible $1000 or more (3%)
Individual, Deductible <$1000, 4%
Deductible $1000 or more, 10%
Don't know/refused, 13%
ESI, Deductible <$1000, 73%

Percent of 108.2 million adults 19-64 insured all year with employer-sponsored or individual insurance

Distribution of Individuals Covered by Private Health Insurance, by Type of Health Plan

- Comprehensive: 89%
- HDHP: 9%
- CDHP: 1%

Note: Comprehensive = plan w/ no deductible or <$1000 (ind), <$2000 (fam); HDHP = plan w/ deductible $1000+ (ind), $2000+ (fam), no account; CDHP = plan w/ deductible $1000+ (ind), $2000+ (fam), w/ account.

Less than Half of Those Enrolled in Employer-Based High Deductible Health Plans Had a Choice

Percent of adults with employer-based coverage who were offered a choice of health plans

- CDHP and HDHP owners are less likely to have a choice of plans from their employer
- When they have a choice, the savings account is the leading reason for choosing CDHP, while premium cost is the most frequent reason for choosing HDHP. Traditional plans are chosen for low out-of-pocket costs.

Adults Covered by Employer Health Insurance with a Choice of Plan Were Less Likely to Pick a Plan with a Higher Deductible

Percent of adults ages 19–64 with ESI and insured all year

- Don’t know/refused: 20%
- Higher: 25%
- No plans have a deductible: 7%
- Deductible was the same: 4%
- Lower: 44%

Enrollees of HDHP/CDHPs Are Less Satisfied with Their Coverage

<table>
<thead>
<tr>
<th></th>
<th>Extremely or very satisfied</th>
<th>Somewhat satisfied</th>
<th>Not satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comprehensive</td>
<td>63</td>
<td>33</td>
<td>8</td>
</tr>
<tr>
<td>HDHP</td>
<td>33*</td>
<td>32</td>
<td>29*</td>
</tr>
<tr>
<td>CDHP</td>
<td>42*</td>
<td>39*</td>
<td>26*</td>
</tr>
</tbody>
</table>

*Difference between HDHP/CDHP and Comprehensive is statistically significant at p ≤ 0.05 or better.

Enrollees of HDHP/CDHPs Are Less Satisfied with Out-of-Pocket Costs

*Difference between HDHP/CDHP and Comprehensive is statistically significant at p ≤ 0.05 or better.

Enrollees of HDHP/CDHPs Are Less Satisfied with Choice of Doctors

*Difference between HDHP/CDHP and Comprehensive is statistically significant at p ≤ 0.05 or better.

Enrollees of HDHP/CDHPs Are More Likely to Delay or Avoid Getting Health Care Due to Cost

Percent of adults 21-64

Total

Health Problem

<$50,000 Annual Income

Comprehensive  HDHP  CDHP

17  31\(^*\)  35\(^*\)

21  31\(^*\)  40\(^*\)

(\(n = 90\))

26  42\(^*\)  48\(^*\)

(\(n = 61\))

*Difference between HDHP/CDHP and Comprehensive is statistically significant at \(p \leq 0.05\) or better.

Overall Satisfaction with Health Care Received in Last 12 Months, by Deductible

Percent of adults ages 19–64 insured all year with private insurance who are very satisfied

Adults with Higher Deductibles Are More Likely to Rate Their Current Health Insurance Coverage “Fair” or “Poor”

Percent of adults ages 19–64 insured all year

Adults with High Deductibles Pay Higher Out-of-Pocket Expenses and Premiums

Median annual household out-of-pocket and premium expenses among respondents insured all year with employer-sponsored insurance.

Note: Among adults ages 19-64.
Two-Thirds of Adults with High Deductible Plans Spent 5% or More of Their Income on Out-of-Pocket Expenses and Premiums

Percent of adults 19-64 insured all year with private insurance

<table>
<thead>
<tr>
<th>Annual Deductible</th>
<th>Household spent 5% or more of income on out-of-pocket costs and premiums</th>
<th>Household spent 10% or more of income on out-of-pocket costs and premiums</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>40</td>
<td>25</td>
</tr>
<tr>
<td>&lt;$500</td>
<td>36</td>
<td>22</td>
</tr>
<tr>
<td>$500–$999</td>
<td>55</td>
<td>36</td>
</tr>
<tr>
<td>$1,000+</td>
<td>67</td>
<td>43</td>
</tr>
</tbody>
</table>

Note: Among adults ages 19-64.
Health Plans with Higher Deductibles Are More Likely to Place Limits on Total Dollar Amount They Will Pay for Medical Care Each Year

Percent of adults ages 19–64 insured all year with private insurance

Problems with Health Insurance Plan, by Deductible

Percent of adults ages 19–64 insured all year with private insurance

- **Had expensive medical bills for services not covered by insurance**: 19% <$500, 37% $500–$999, 40% $1,000+
- **Doctor charged more than insurance would pay and you had to pay difference**: 23% <$500, 35% $500–$999, 40% $1,000+
- **Reached limit of what insurance company would pay and left with expensive bills**: 6% <$500, 11% $500–$999, 15% $1,000+

Bill Problems, by Deductible

Percent of adults ages 19–64 insured all year with private insurance

Not able to pay medical bills
- <$500: 14%
- $500–$999: 23%
- $1,000+: 20%

Contacted by collection agency*
- <$500: 8%
- $500–$999: 9%
- $1,000+: 5%

Had to change way of life to pay medical bills
- <$500: 6%
- $500–$999: 13%
- $1,000+: 17%

Medical bills/debt being paid off over time
- <$500: 17%
- $500–$999: 27%
- $1,000+: 31%

Any medical bill problem or outstanding debt
- <$500: 23%
- $500–$999: 35%
- $1,000+: 41%

*Includes only those individuals who had a bill sent to a collection agency when they were unable to pay it.

Access Problems, by Deductible

Percent of adults ages 19–64 insured all year with private insurance

Did not fill a prescription
Did not see specialist when needed
Skipped recommended test, treatment, or follow-up
Had medical problem, did not see doctor or clinic
Any of the four access problems

HDHP/HSAs – Wrong Rx for American Health Care

- Costs aren’t high because patients don’t pay enough – they are high because of the way we organize care and pay physicians, hospitals, and other providers
- Americans already pay a lot out-of-pocket for care
- High deductibles have an adverse effect on access to care for vulnerable populations
- High deductibles add to financial burdens on vulnerable populations and consume savings needed for retirement
- The information on which to make cost-conscious choices is a long way from being available
Americans Spend More Out-of-Pocket on Health Care Expenses

National Health Expenditures per Capita, US$

<table>
<thead>
<tr>
<th>Country</th>
<th>National Health Expenditures per Capita, US$</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>6000</td>
</tr>
<tr>
<td>Australia</td>
<td>5000</td>
</tr>
<tr>
<td>Canada</td>
<td>4000</td>
</tr>
<tr>
<td>France</td>
<td>3000</td>
</tr>
<tr>
<td>Germany</td>
<td>3000</td>
</tr>
<tr>
<td>Japan</td>
<td>3000</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3000</td>
</tr>
<tr>
<td>New Zealand</td>
<td>3000</td>
</tr>
<tr>
<td>OECD Median</td>
<td>3000</td>
</tr>
</tbody>
</table>

Consumers Spending More Out-of-Pocket for Health Care

Dollars spent per capita (in 2004 dollars)

Cost-Sharing Reduces Use of Both Essential and Less Essential Drugs and Increases Risk of Adverse Events

Percent reduction in drugs per day

<table>
<thead>
<tr>
<th>Essential</th>
<th>Less Essential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elderly</td>
<td>Low Income</td>
</tr>
<tr>
<td>9</td>
<td>14</td>
</tr>
<tr>
<td>15</td>
<td>22</td>
</tr>
</tbody>
</table>

Percent increase in incidence per 10,000

<table>
<thead>
<tr>
<th>Adverse Events</th>
<th>ED Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elderly</td>
<td>Low Income</td>
</tr>
<tr>
<td>117</td>
<td>97</td>
</tr>
<tr>
<td>43</td>
<td>78</td>
</tr>
</tbody>
</table>

Increased Health Care Costs Have Reduced Savings

Has increased spending on health care expenses in the past year caused you to do any of the following? Among those with health insurance coverage who had increases in health care costs in the last year (n=731) (percentage saying yes)

- Decrease your contributions to other savings: 45%
- Have difficulty paying for other bills: 34%
- Use up all or most of your savings: 29%
- Decrease your contributions to a retirement plan, such as a 401(k), 403(b) or 457 plan, or an IRA: 26%
- Have difficulty paying for basic necessities, like food, heat, and housing: 24%
- Borrow money: 18%

### Most Insured Don’t Have Quality and Cost Information to Make Informed Choices

<table>
<thead>
<tr>
<th>Health plan provides information on quality of care provided by:</th>
<th>Comprehensive</th>
<th>HDHP/CDHP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Doctors</td>
<td>14%</td>
<td>16%</td>
</tr>
<tr>
<td>Hospitals</td>
<td>14</td>
<td>15</td>
</tr>
<tr>
<td>Health plan provides information on cost of care provided by:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doctors</td>
<td>16</td>
<td>12</td>
</tr>
<tr>
<td>Hospitals</td>
<td>15</td>
<td>12</td>
</tr>
<tr>
<td>Of those whose plans provide info on quality, how many tried to use it for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doctors</td>
<td>42</td>
<td>54</td>
</tr>
<tr>
<td>Hospitals</td>
<td>25</td>
<td>45</td>
</tr>
<tr>
<td>Of those whose plans provide info on cost, how many tried to use it for:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Doctors</td>
<td>15</td>
<td>36 (n = 76)</td>
</tr>
<tr>
<td>Hospitals</td>
<td>14</td>
<td>32 (n = 76)</td>
</tr>
</tbody>
</table>

HSAs Won’t Help the Uninsured for Whom Tax Benefits Are of Little Value: Income Tax Distribution of Uninsured

HDHPs Won’t Solve the Cost Problem: Most Costs Are Concentrated in the Very Sick

Distribution of Health Expenditures for the U.S. Population, By Magnitude of Expenditure, 1997

Expenditure Threshold (1997 Dollars)

- $27,914 (27%)
- $7,995 (55%)
- $4,115 (69%)
- $351 (97%)

Modifications to HDHP/HSAs to Reduce Potentially Harmful Effects

• Permit employers to lower deductibles for lower-wage workers and qualify for HSAs
• Exempt primary care as well as preventive services from the deductible; exempt prescription drugs essential for management of chronic conditions
• Guarantee choice of a comprehensive health plan to workers covered under employer plans
• Permit greater flexibility in benefit design (e.g. actuarially equivalent benefits)
• Set an income ceiling on eligibility for HSAs to reduce the tax subsidy for high income individuals
Promising Strategies for Improving Affordability and Achieving Savings

- Better information on provider quality and total costs of care
- Pay-for-performance provider payment rewarding high quality and high efficiency
- Development of value networks of “high performing providers” under Medicare, Medicaid, and private insurance
- High cost care management and transitional care
- Improved access to primary care and preventive services
- Investment in health information technology
- National Institute of Clinical Excellence – evidence-based medicine
Two in Four Adults Experience Inefficient, Poorly Coordinated, Unsafe Care

Percent of adults reporting a time they experienced each event in the past two years

- Ordered a test that had already been done: 17%
- Medical, surgical, medication or lab test error: 17%
- Failed to provide important medical history or test results to other doctors or nurses: 19%
- Recommended unnecessary care or treatment: 25%
- Any of the above: 42%

Insurance companies identify and reward doctors and hospitals who achieve excellence in the quality and efficiency of care

<table>
<thead>
<tr>
<th>How important is it to you that: (percent)</th>
<th>Total very or somewhat important</th>
<th>Very important</th>
<th>Somewhat important</th>
</tr>
</thead>
<tbody>
<tr>
<td>You have information about the quality of care provided by different doctors or hospitals</td>
<td>95</td>
<td>77</td>
<td>18</td>
</tr>
<tr>
<td>You have information about the costs of care to you BEFORE you actually get the care</td>
<td>91</td>
<td>69</td>
<td>22</td>
</tr>
<tr>
<td>Insurance companies identify and reward doctors and hospitals who achieve excellence in the quality and efficiency of care</td>
<td>87</td>
<td>62</td>
<td>25</td>
</tr>
</tbody>
</table>

Half of Middle and Lower Income Adults Experienced Serious Problems Paying for Medical Bills or Insurance in Past Two Years

## What Is the Top or Second Most Important Health Care Issue for President and Congressional Action?

<table>
<thead>
<tr>
<th>Percent listing issue as top or second priority:</th>
<th>Total</th>
<th>Less than $50,000</th>
<th>$50,000-$74,999</th>
<th>$75,000 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensure that all Americans have adequate, reliable health insurance</td>
<td>52</td>
<td>56</td>
<td>52</td>
<td>50</td>
</tr>
<tr>
<td>Control the rising cost of medical care</td>
<td>37</td>
<td>35</td>
<td>42</td>
<td>39</td>
</tr>
<tr>
<td>Lower the cost of prescription drugs</td>
<td>31</td>
<td>31</td>
<td>27</td>
<td>33</td>
</tr>
<tr>
<td>Ensure that Medicare remains financially sound long-term</td>
<td>29</td>
<td>29</td>
<td>32</td>
<td>30</td>
</tr>
<tr>
<td>Improve the quality of nursing homes and long-term care</td>
<td>14</td>
<td>16</td>
<td>15</td>
<td>13</td>
</tr>
<tr>
<td>Reform the medical malpractice system</td>
<td>14</td>
<td>10</td>
<td>12</td>
<td>18</td>
</tr>
<tr>
<td>Reduce the complexity of insurance</td>
<td>12</td>
<td>12</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

Take Away Messages

• Closing gaps in insurance coverage is the number one priority
• Patients should have easy access to primary and preventive care; higher cost-sharing for primary care and lower cost-sharing for specialized care further distorts incentives
• Invest in quality improvement in chronic care, transitional care post-hospitalization
• Promote information technology and shared decision-making
• Reward high quality and efficient care
• Forge public private partnerships to achieve improved health system performance
Acknowledgements

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