

Consumer Driven Health Reform: *Is it the answer?*

*The Consumer Driven Healthcare Summit
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The big issue:



Job-based health costs soar

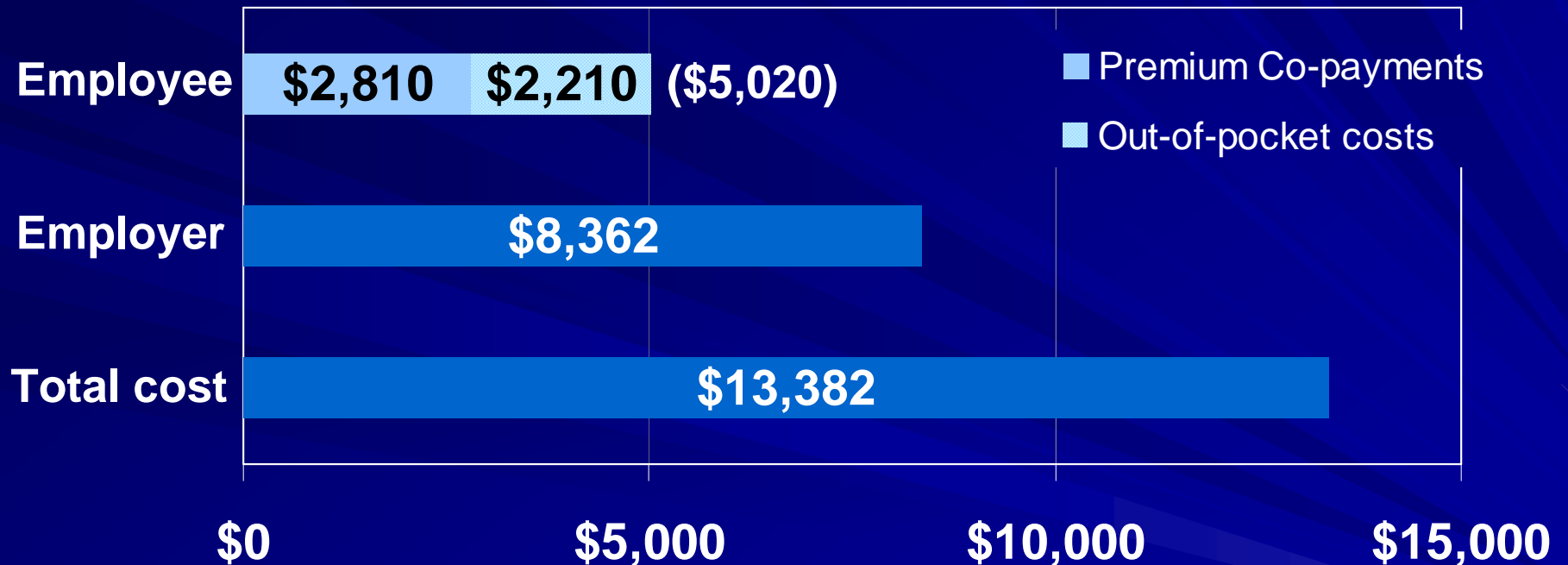
Annual Medical Cost for Family of Four



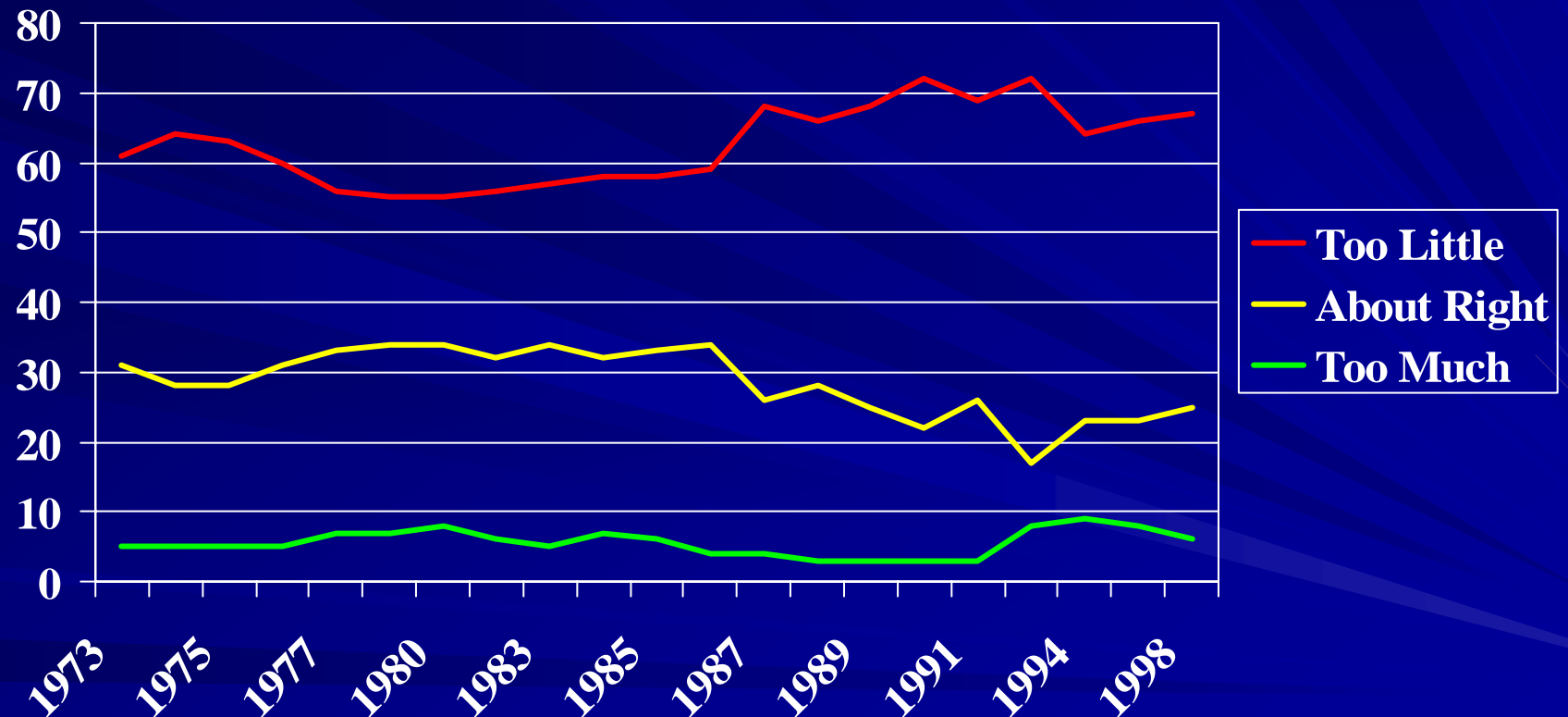
Source: Milliman Medical Index 2006

Employer-employee share of costs

Job-based health insurance



Yet, when asked if the U.S. spends **too much** or **too little** on health care...



Robert Blendon and John Benson. "Americans' Views on Health Policy"
Health Affairs. March/April 2001.

Add to this:

Growing demand for health care

■ New products

- 800 new prescription drugs in pipeline
- Personalized medicine, genetic treatments
- A growing cadre of alternative medical options

■ New services

- Facilities: Convenient, specialized, even off-shore
- Information: Internet, telemedicine
- Customization: Concierge practices, personalized treatments

■ Who's going to pay?

Consumer-directed health plans and HSAs

They have no guarantee of success and are far from a silver bullet solution to the many problems in the health sector

...But the market will decide if they have a role



CDHC is many things...

Consumer-directed health care is a constellation of offerings to give consumers more power and control over health care decisions

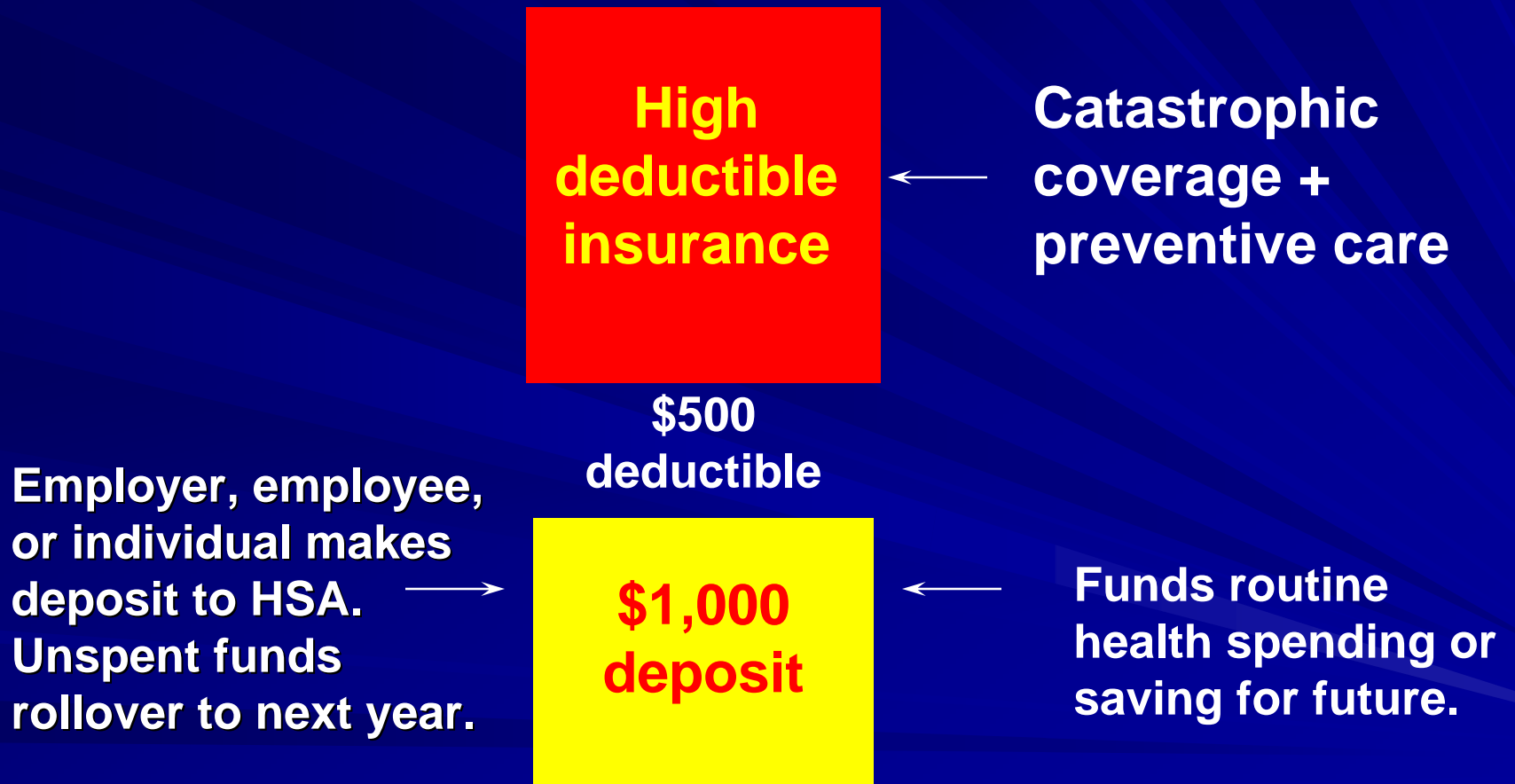
■ New tools include:

- Health Savings Accounts
- Health Reimbursement Arrangements
- New chronic care management programs
- Consumer-focused centers such as MinuteClinics and RediClinics
- New group purchasing options
- Consumer-friendly medical information resources

The vision:

- ❖ Engaging consumers as partners in managing health costs and getting the best value for health care dollars

One example of a Health Savings Account



California Representative

Pete Stark says:

HSA's "are an effort to shift even more costs to individuals while providing tax benefits skewed to those with higher incomes.

"It is more clear than ever before that this is a tax shelter for the healthy and wealthy. Nothing more, nothing less."

The facts so far...

- **Objections of the critics are not backed by the real-world experience of companies and consumers**

New Incentives

McKinsey & Co. says consumer-directed plans increase consumer awareness of cost and value so consumers are:

- 20% more likely to comply with treatments for chronic conditions
- 25% more likely to engage in healthy behaviors
- 30% more likely to get annual physicals
- 50% more likely to seek less expensive care

“If I catch an issue early, I’ll save money in the long run.”

Assurant Health study of who has HSAs

- 69% are families with children
- 62% of purchasers are over age 40
- 29% make less than \$50,000 a year
- 43% were previously uninsured

“Quick facts: Health Savings Accounts,” Assurant Health, March, 2006.

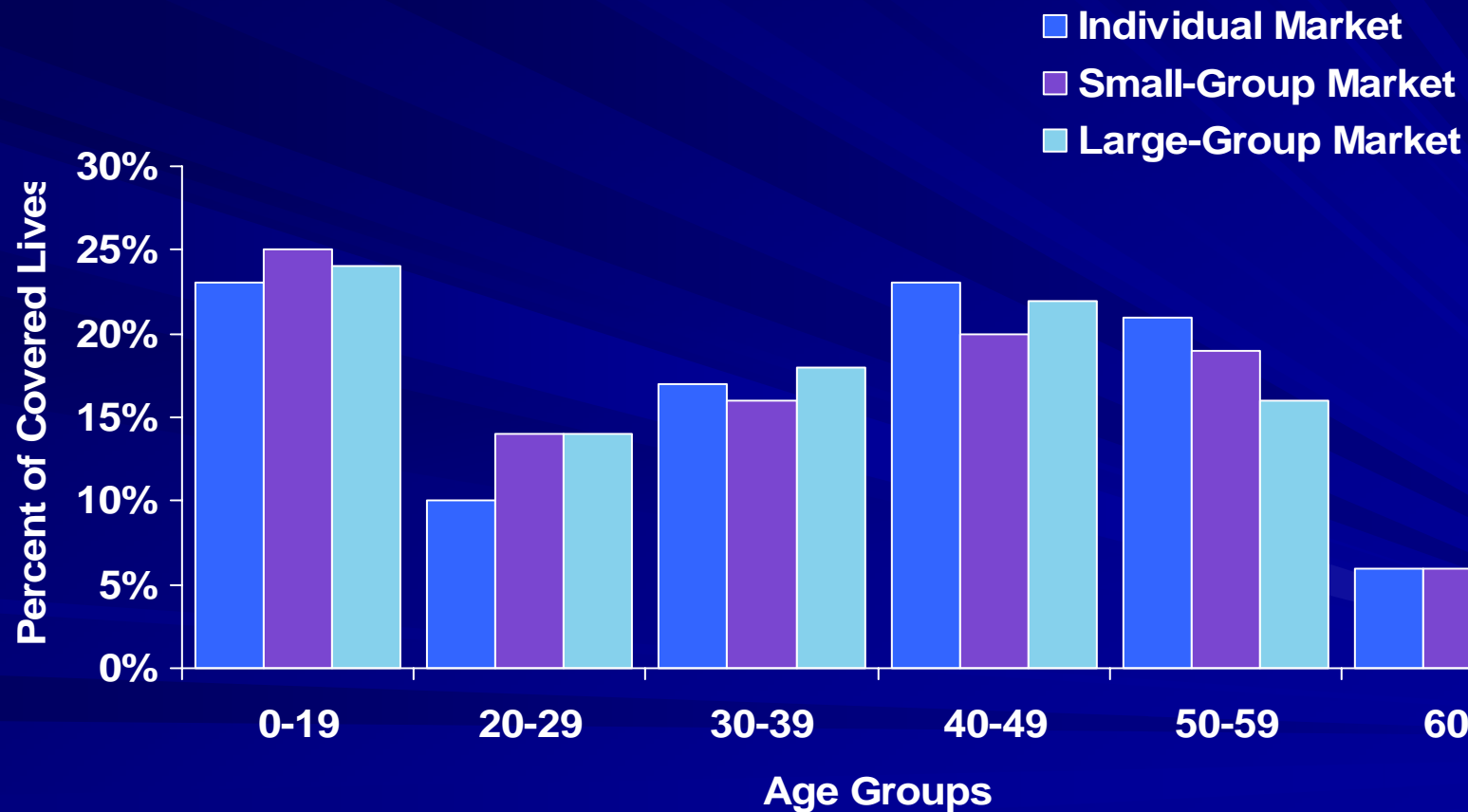
<http://www.assuranthealth.com/about/factsheet.shtml>

AHIP Study of HSAs

3.2 million people were enrolled in HSA-qualifying insurance as of January, 2006

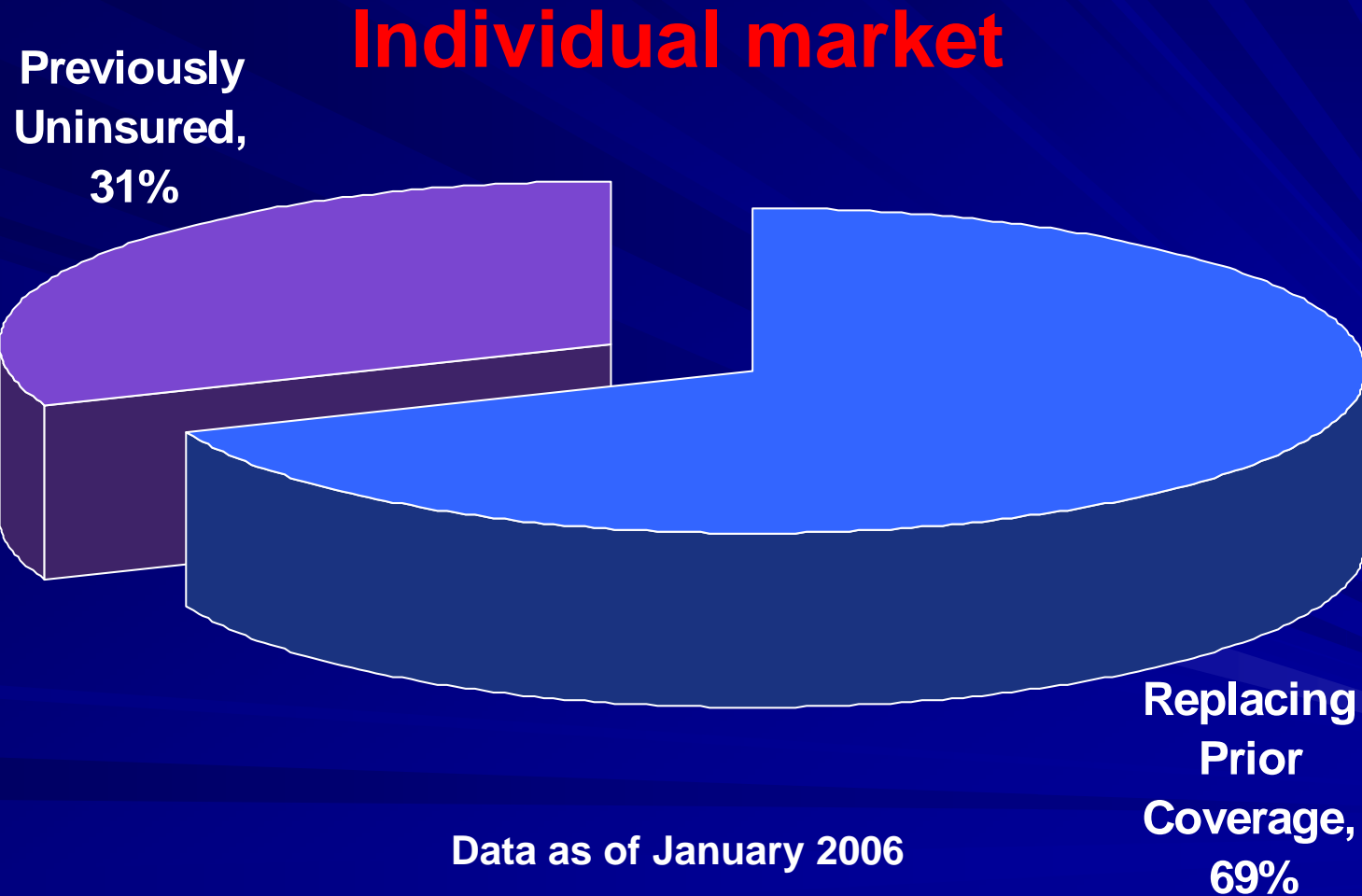
- **Purchasers are from a broad range of age and income groups, especially those age 45-54 with families**
- **HSAs are a new option for the uninsured and small employers: one-third didn't previously have health insurance**

Age distribution of people covered by an HSAs. They're not just for the young...



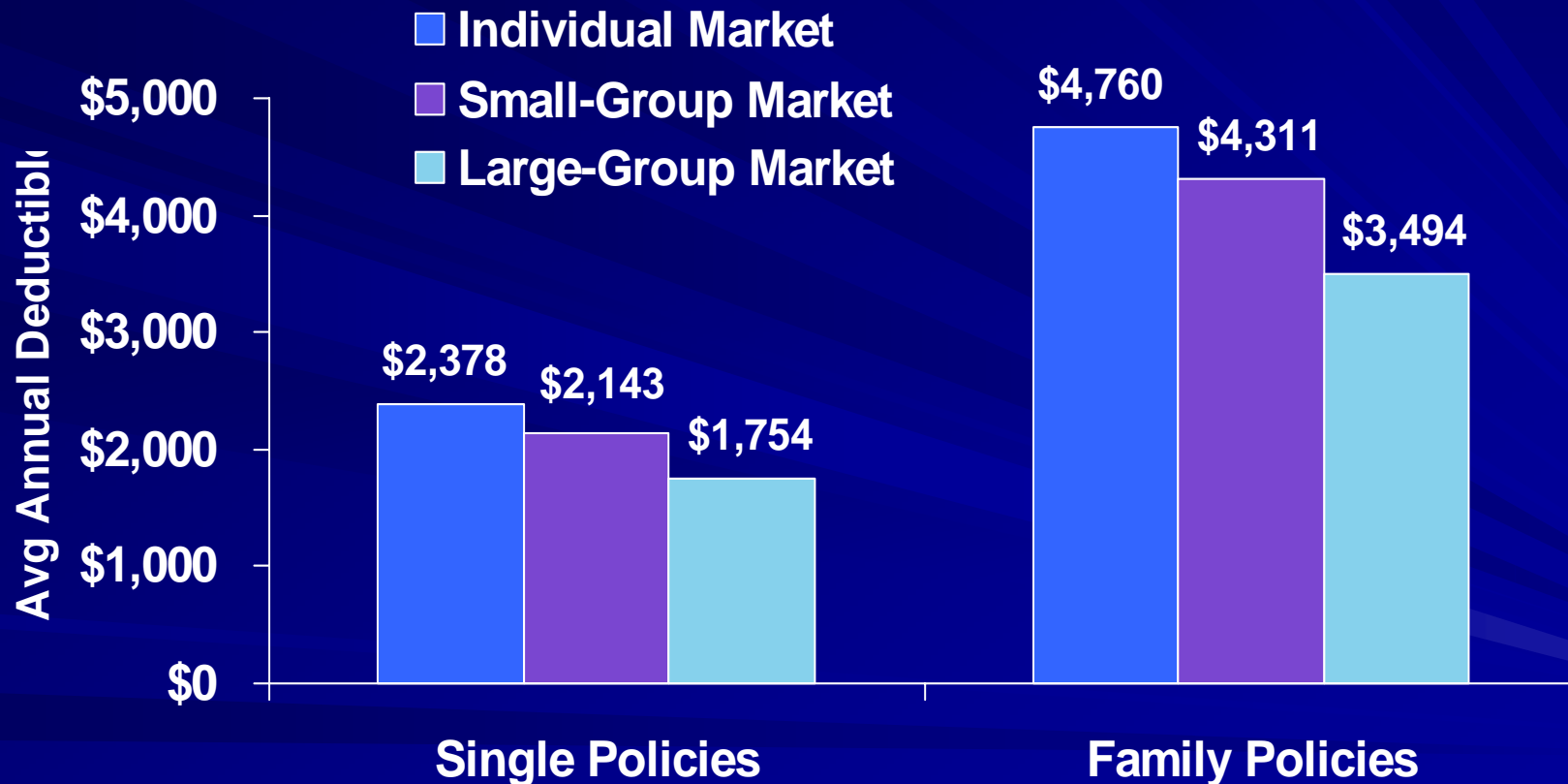
Data as of January 2006

Percentage of HSA/HDHP policies Purchased by previously uninsured



Note -- Companies responding to this question reported HSA/HDHP enrollment of 362,336 lives in the individual market.

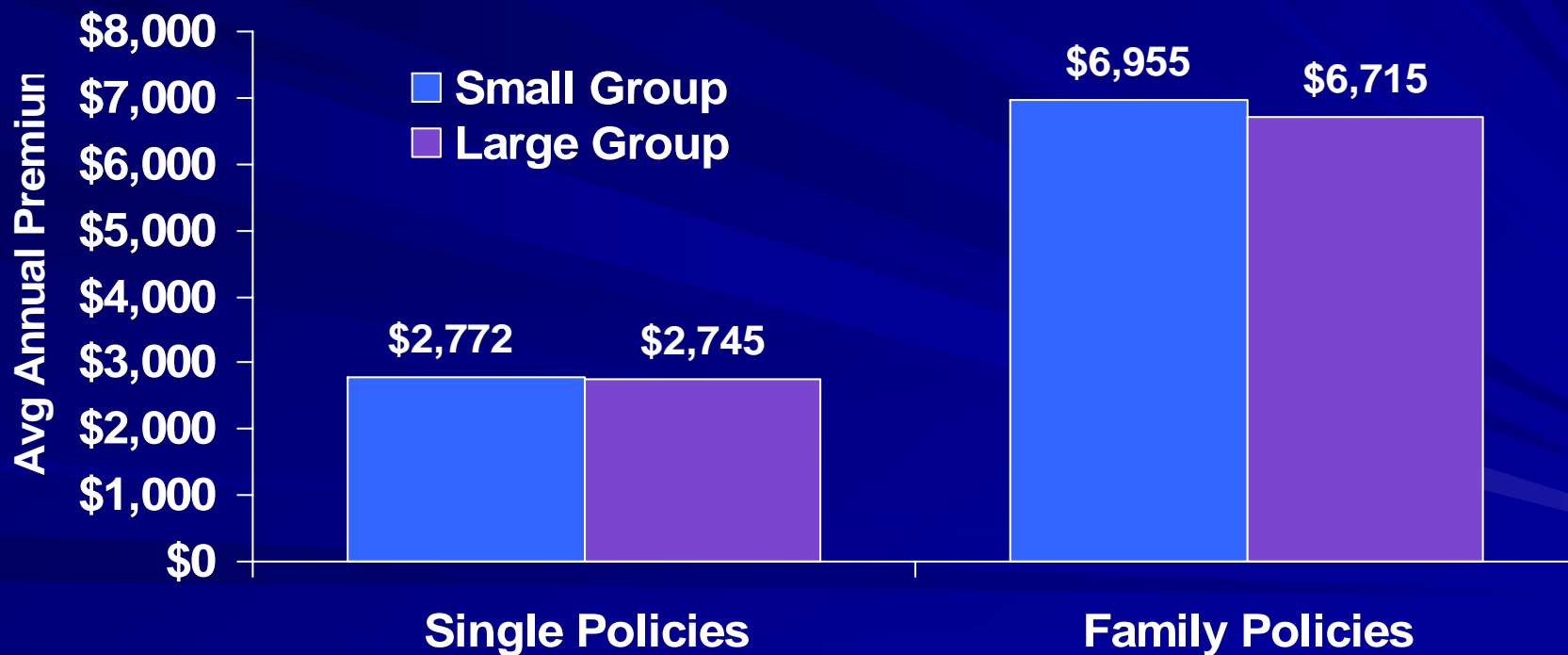
Average annual deductible for best-selling HSA/HDHP product



Data as of January 2006

Average annual premiums for best-selling HSA/HDHP product

Small- and large-group: Best-selling products

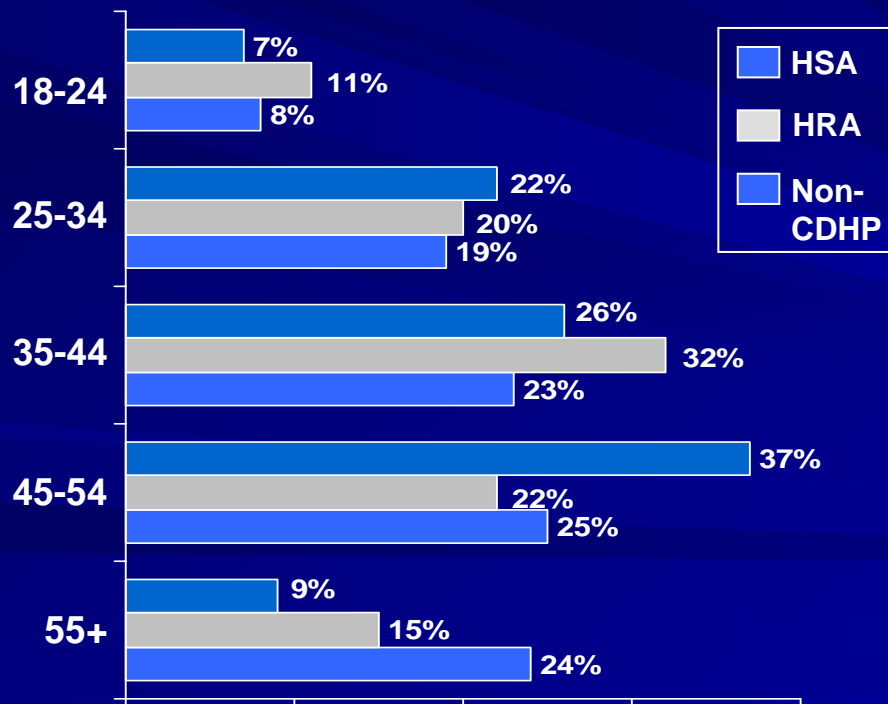


Data as of January 2006

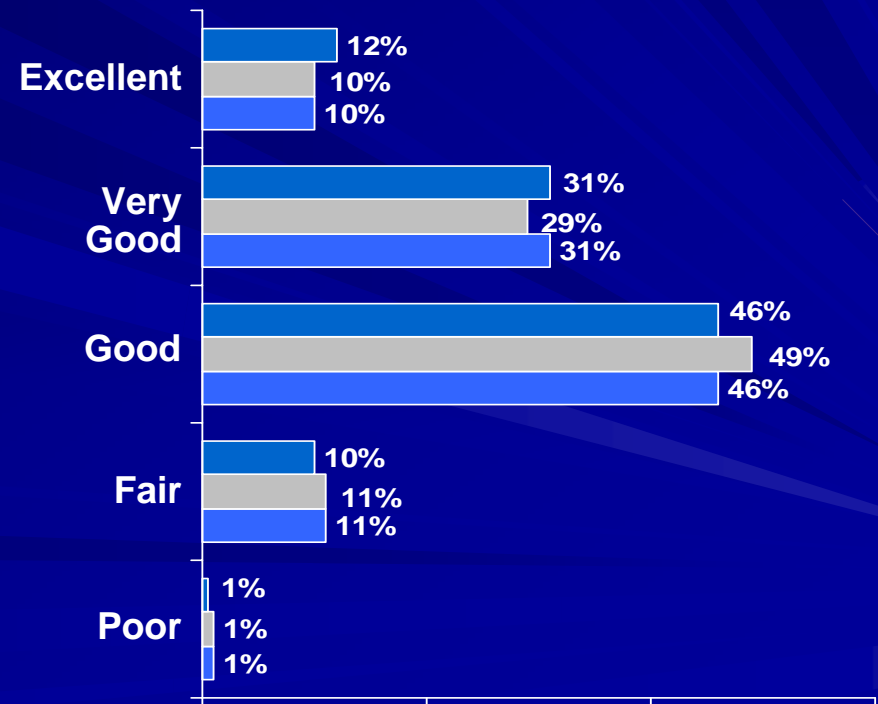
BC/BS survey of age and health status

HSA-eligible enrollees are of all ages and are of no different health status than people enrolled in traditional coverage.

Health Coverage by Age



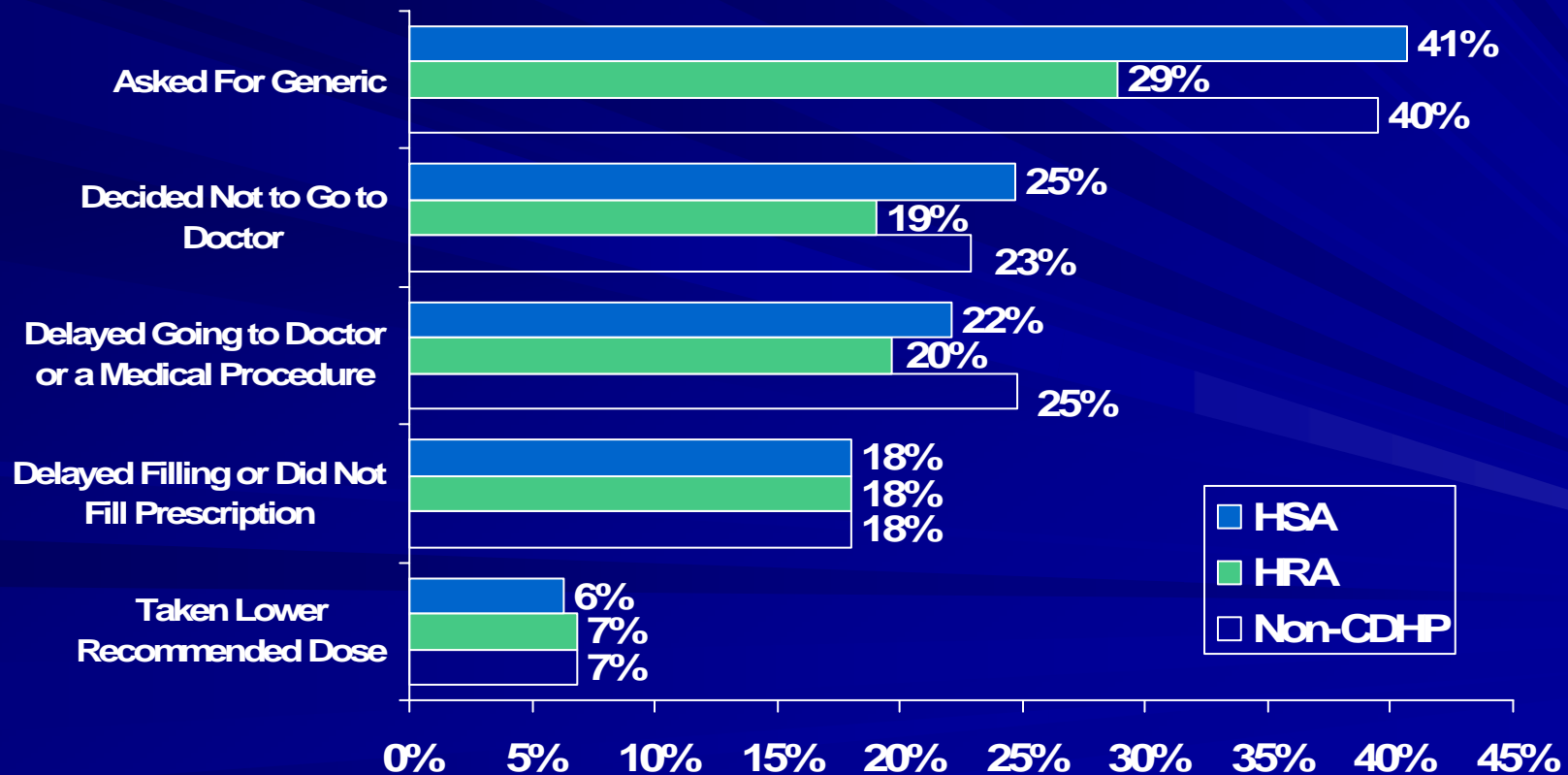
Self-Reported Health Status



Use of healthcare services

Use of healthcare services appears similar among CDHP and non-CDHP enrollees

Cost-Driven Behavior Since Starting Healthcare Coverage



Booz Allen Hamilton

- HSAs will begin a new movement toward building personal financial security
- Expect consumers to demand “package pricing” for high-cost services
- “CDHPs and HSAs will begin to restructure both the healthcare world and the financial services world in profound ways.”

Helping the uninsured with subsidies for to purchase private health insurance

- New policy initiatives will promote fairness in tax subsidies
- Providing help for those shut out of the system to buy private insurance
- Promoting choice, portability, and confidentiality through more individual ownership of insurance

Incentives for healthy living

- Positive changes in health behaviors, including better compliance in taking medications to treat chronic conditions
- 8% reduction in medical costs among first time CDHC users
- Biggest savings were among medium and heavy users of health care

Coordinated care: New help for chronically ill

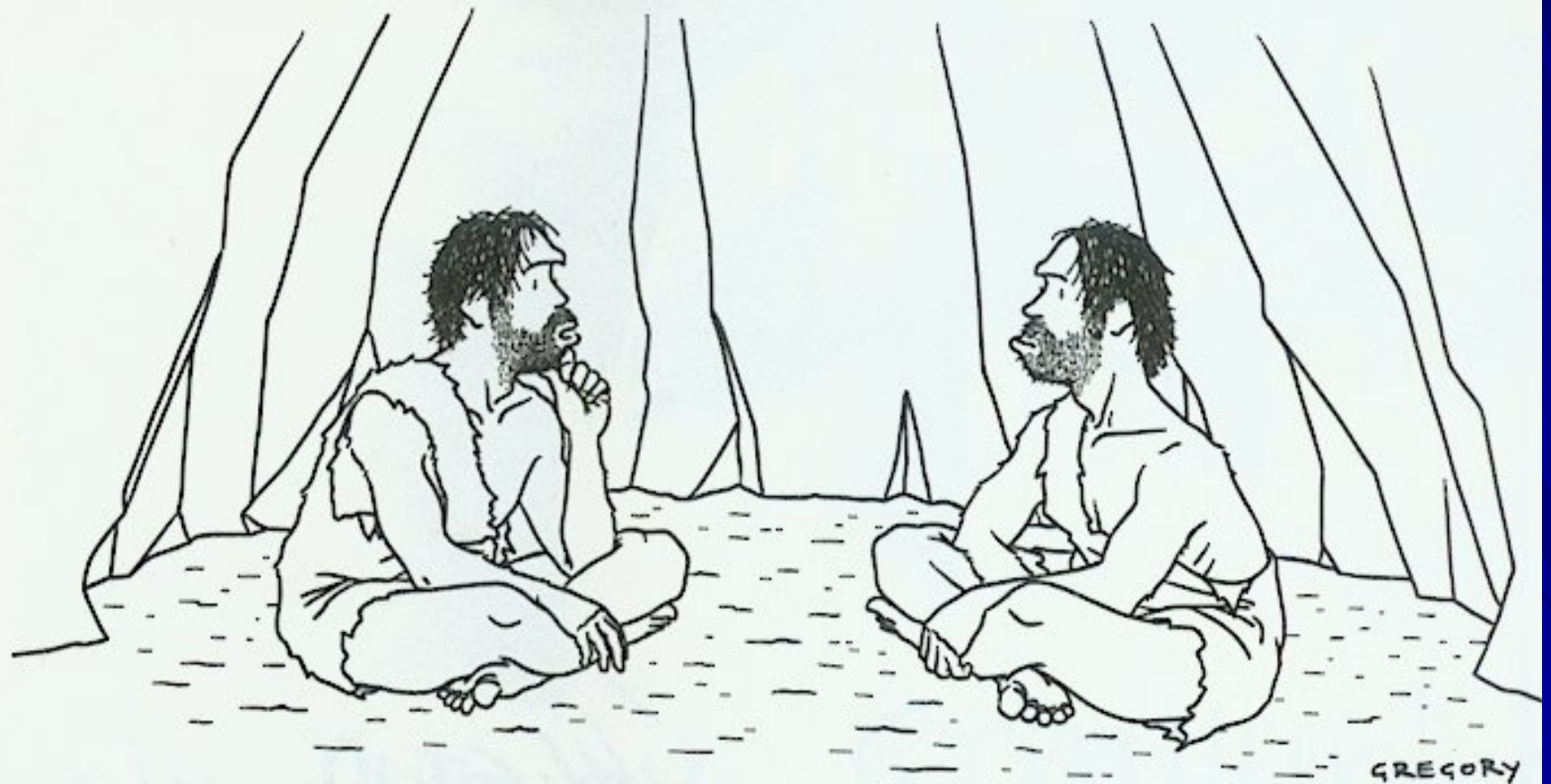
Engaging patients in their care
management and providing new
support for medical professionals

Care management programs have demonstrated success

- A greater focus on wellness and chronic care management

- The Asheville Project

- Destiny's Vitality Program



“Something’s just not right—our air is clean, our water is pure, we all get plenty of exercise, everything we eat is organic and free-range, and yet nobody lives past thirty.”

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