

The CDHP Implementation Experience

Briefing for 2nd National Consumer Driven Healthcare Summit

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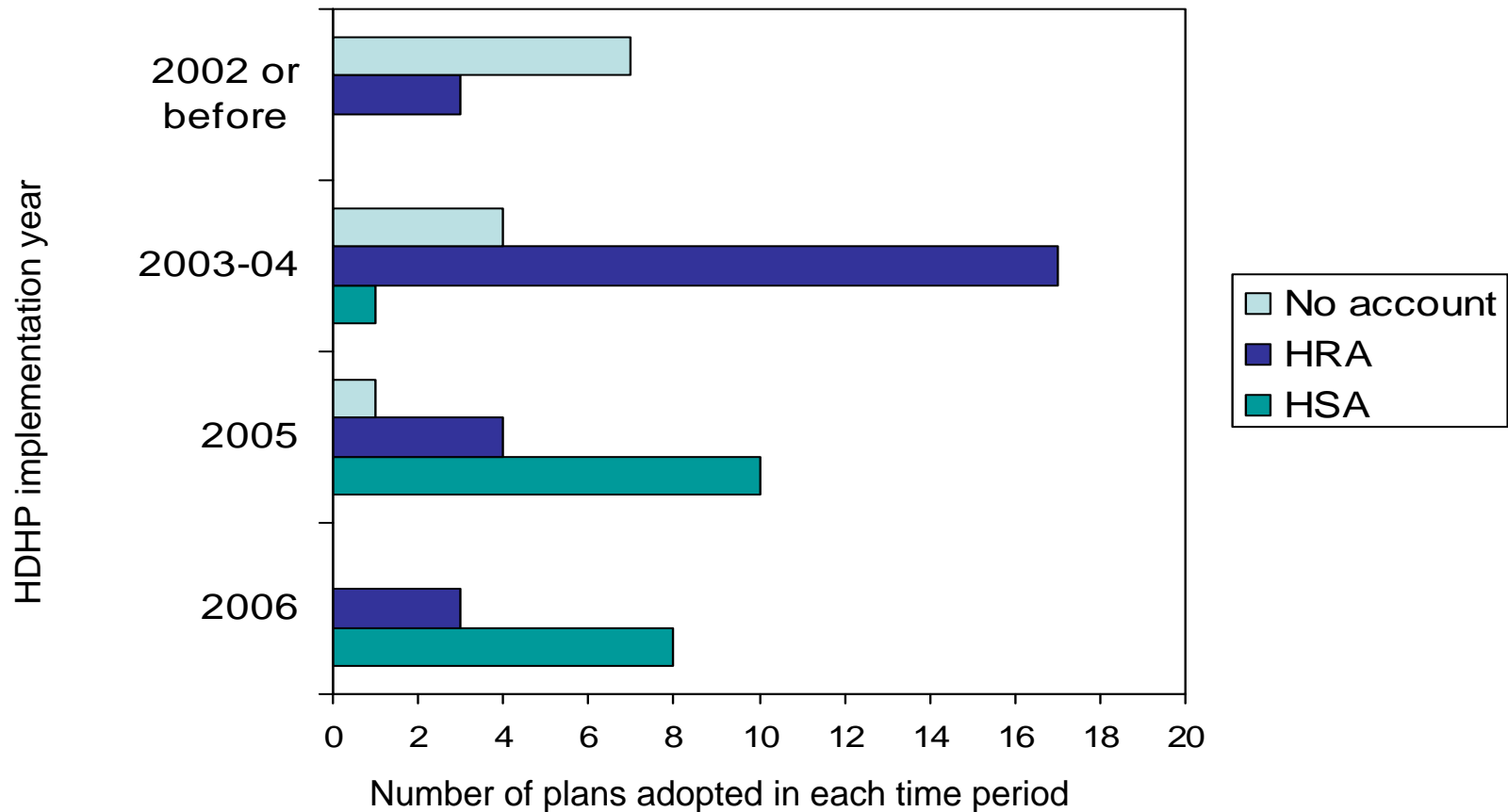
Agenda

- Overview of study and participating employers
- Employers' goals and challenges
- Employee communication
- Information tools and resources
- Lessons learned and future role of CDHPs

Overview of study

- Study of CDHPs
 - Adopted by 42 employers
 - 2003 through 2007
- CDHP defined as
 - Deductible of at least \$500 for single coverage
 - With or without an HRA or HSA
 - Emphasize consumer engagement
- Reports will focus on
 - Cost and quality outcomes
 - Implementation experience
- RAND Corporation/Watson Wyatt with funding from
 - California HealthCare Foundation
 - Robert Wood Johnson Foundation

The 42 participating employers offered 58 high-deductible plans

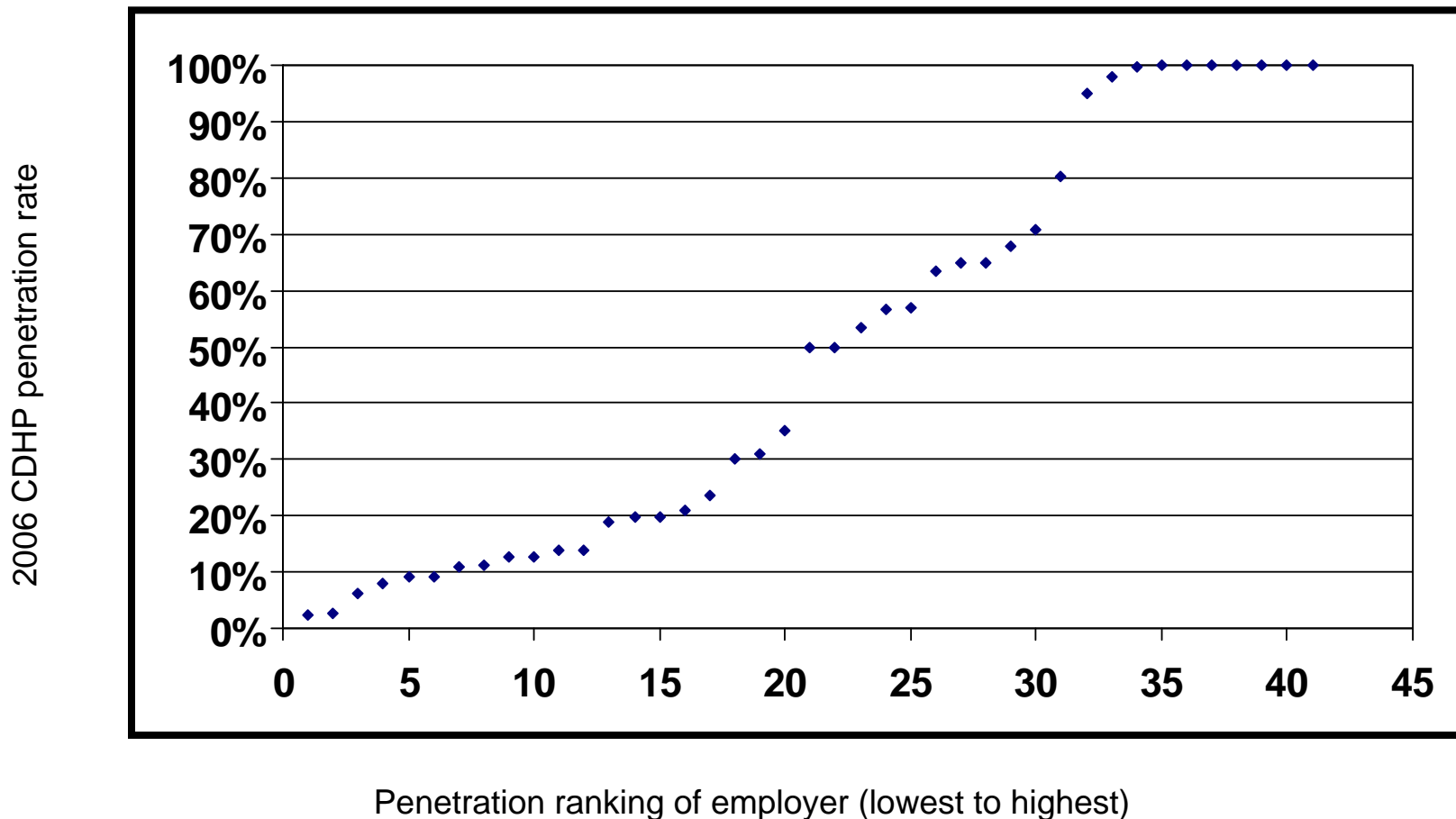


NOTE: Some employers offered multiple plan designs with the same account type (i.e. three HRA options with different deductibles). These plans are counted only once for each employer.

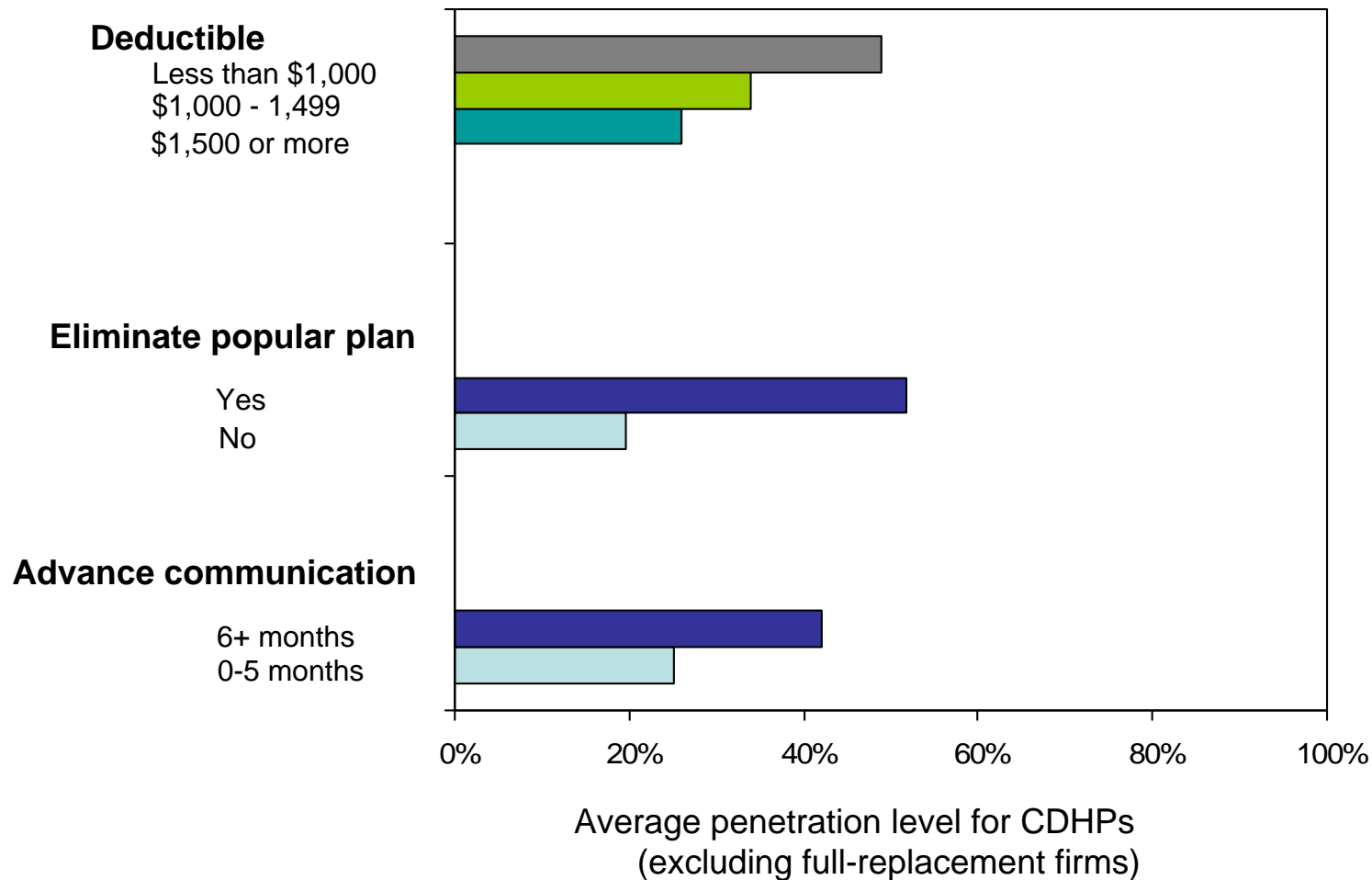
Member cost sharing varies in HRA, HSA and no account plans (ranked by average deductible)

Deductible	No account	HRA	HSA
Lowest third	\$500	\$869	\$1,088
Middle third	\$500	\$1,393	\$1,230
Highest third	\$1,000	\$1,738	\$1,925
Employer account contribution			
Lowest third	\$0	\$456	\$125
Middle third	\$0	\$694	\$240
Highest third	\$0	\$800	\$313
Bridge (deductible – employer contribution)			
Lowest third	\$500	\$413	\$963
Middle third	\$500	\$699	\$990
Highest third	\$1,000	\$938	\$1,613

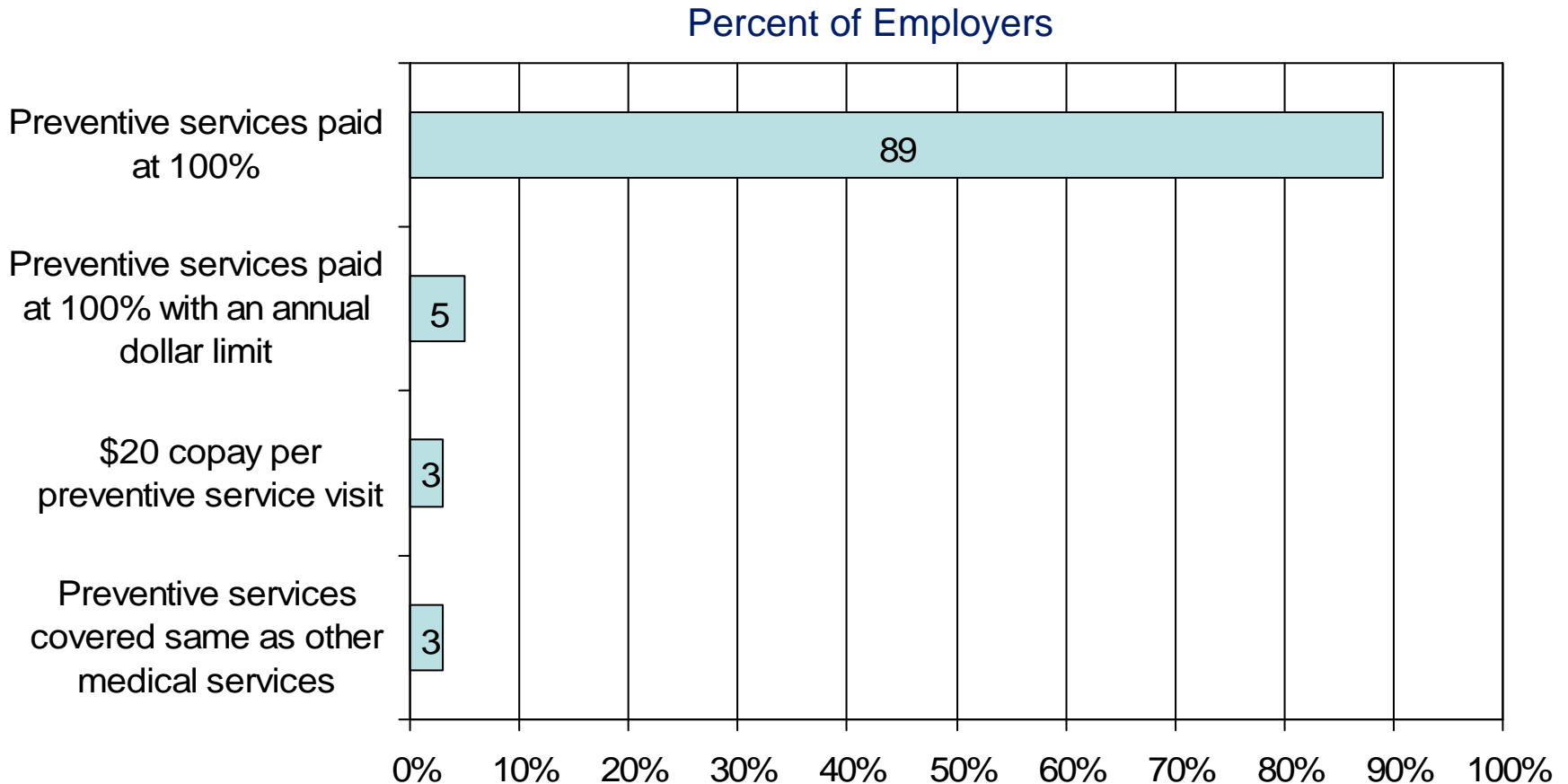
2006 CDHP penetration rates ranged widely (8 employers went to full replacement)



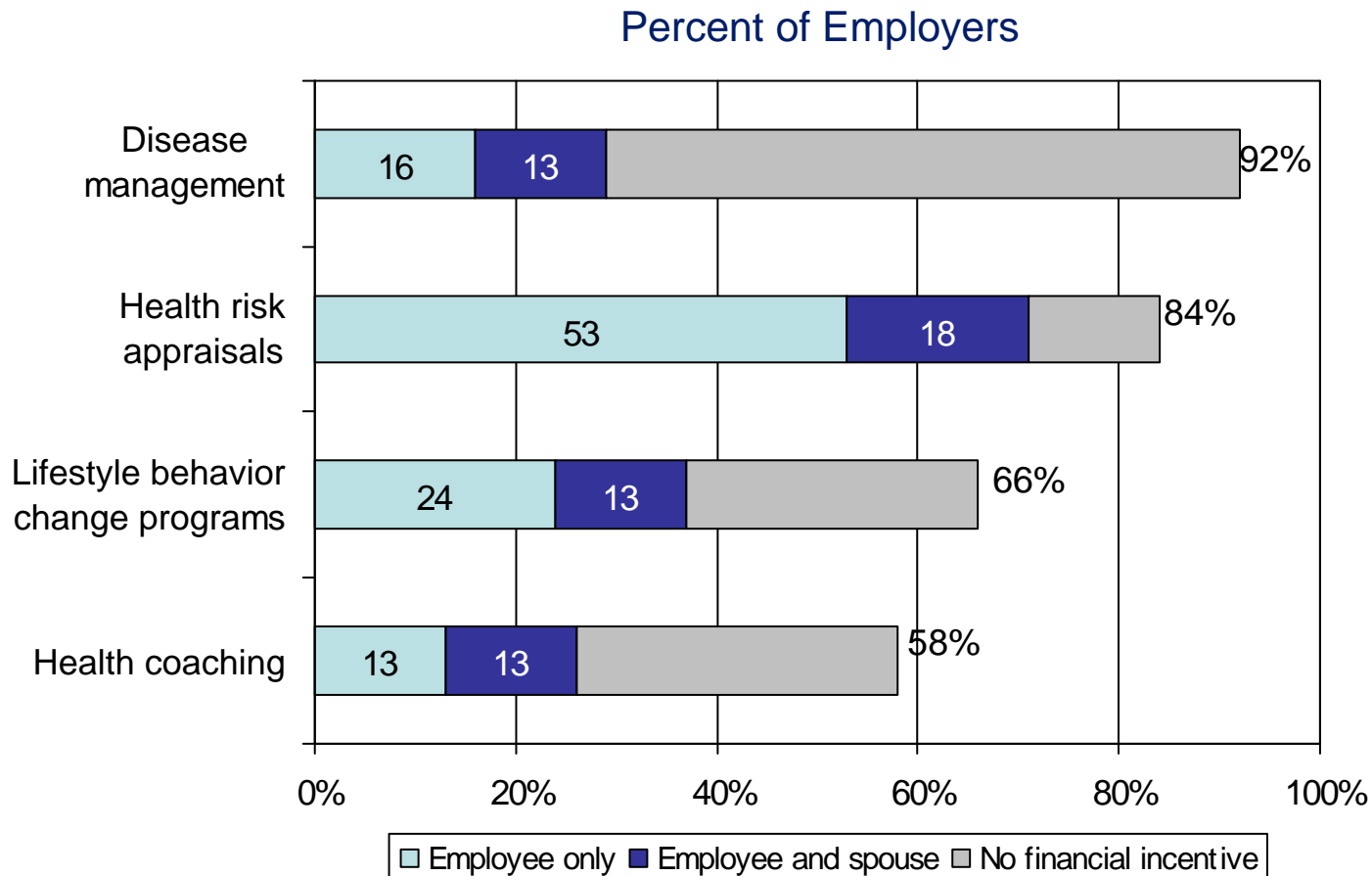
Key ways employers can influence penetration level of CDHPs



Only one CDHP in the study does not pay for preventive services before the deductible is satisfied



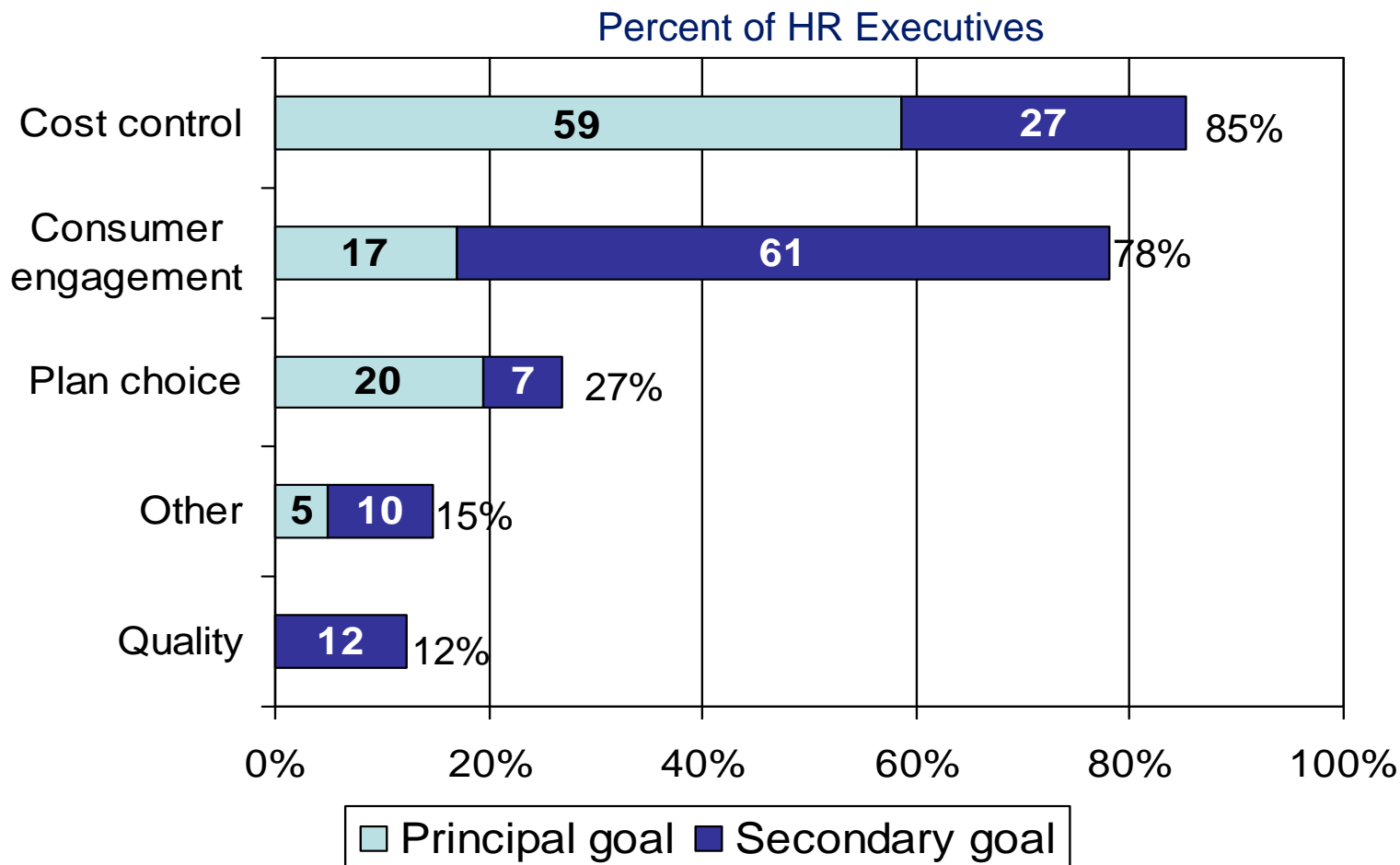
Financial incentives are often offered to engage employees



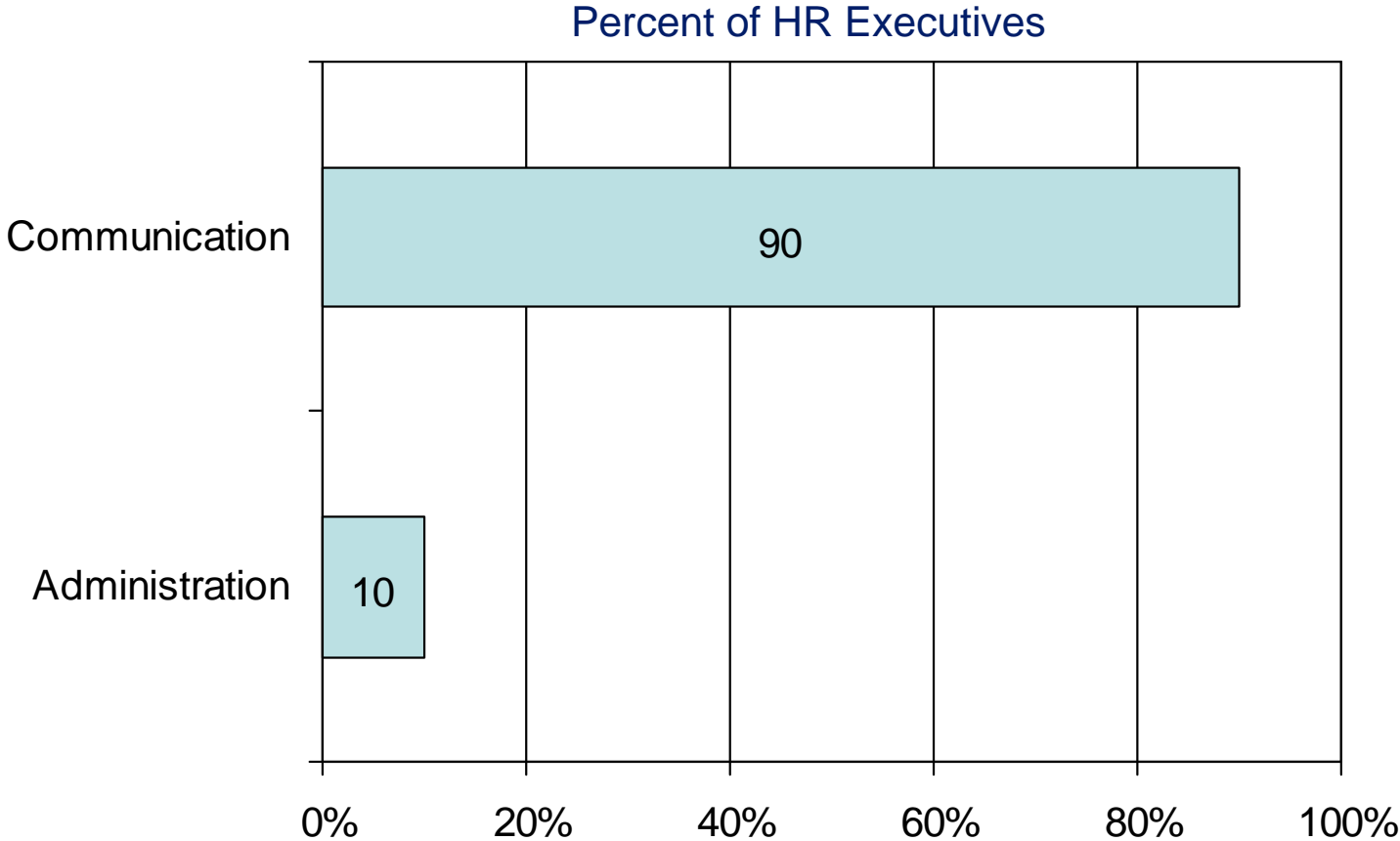
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Cost control, consumer engagement top goals identified in open-ended interviews with HR executives



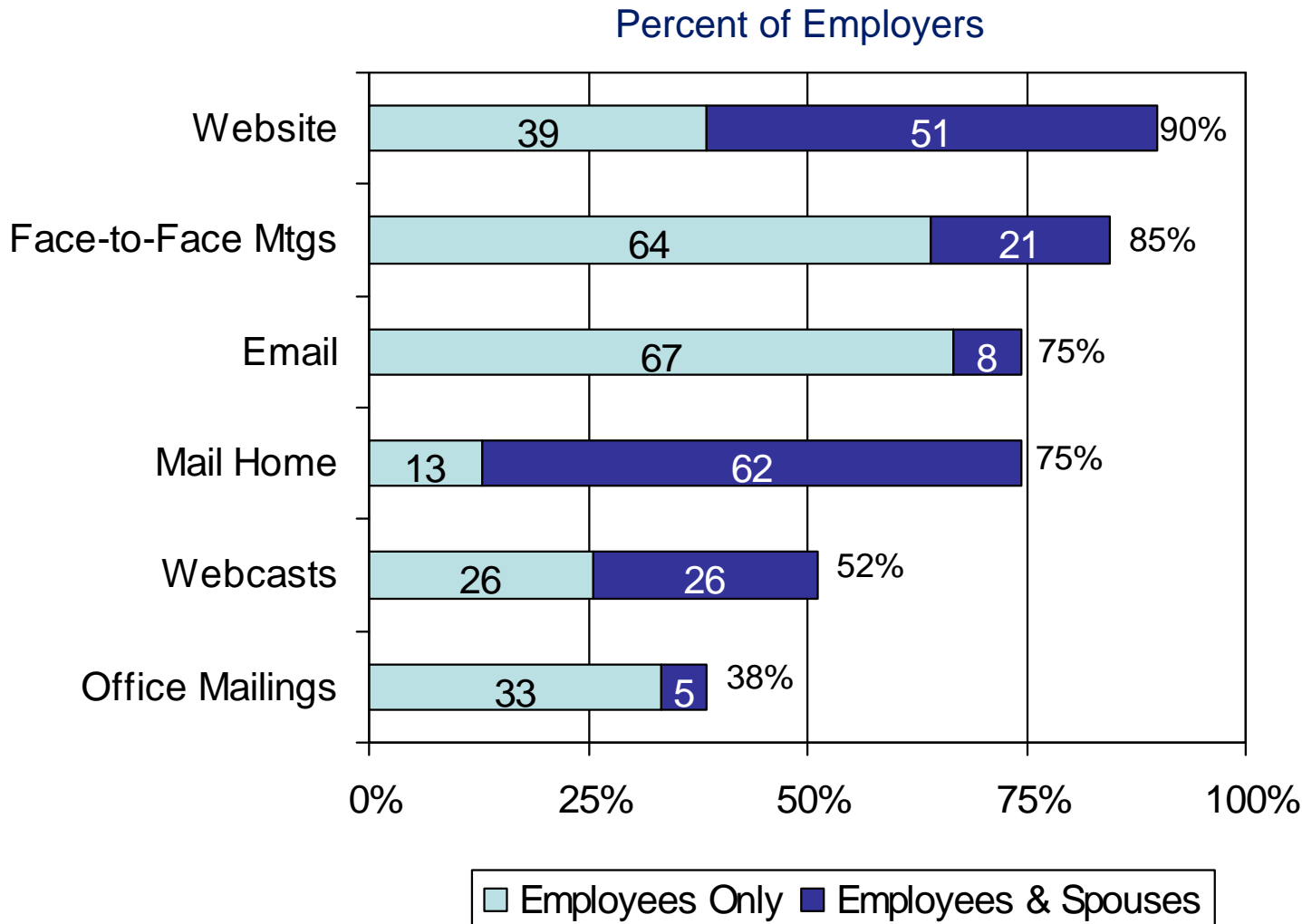
Communication biggest challenge cited by HR executives during initial rollout and open enrollment



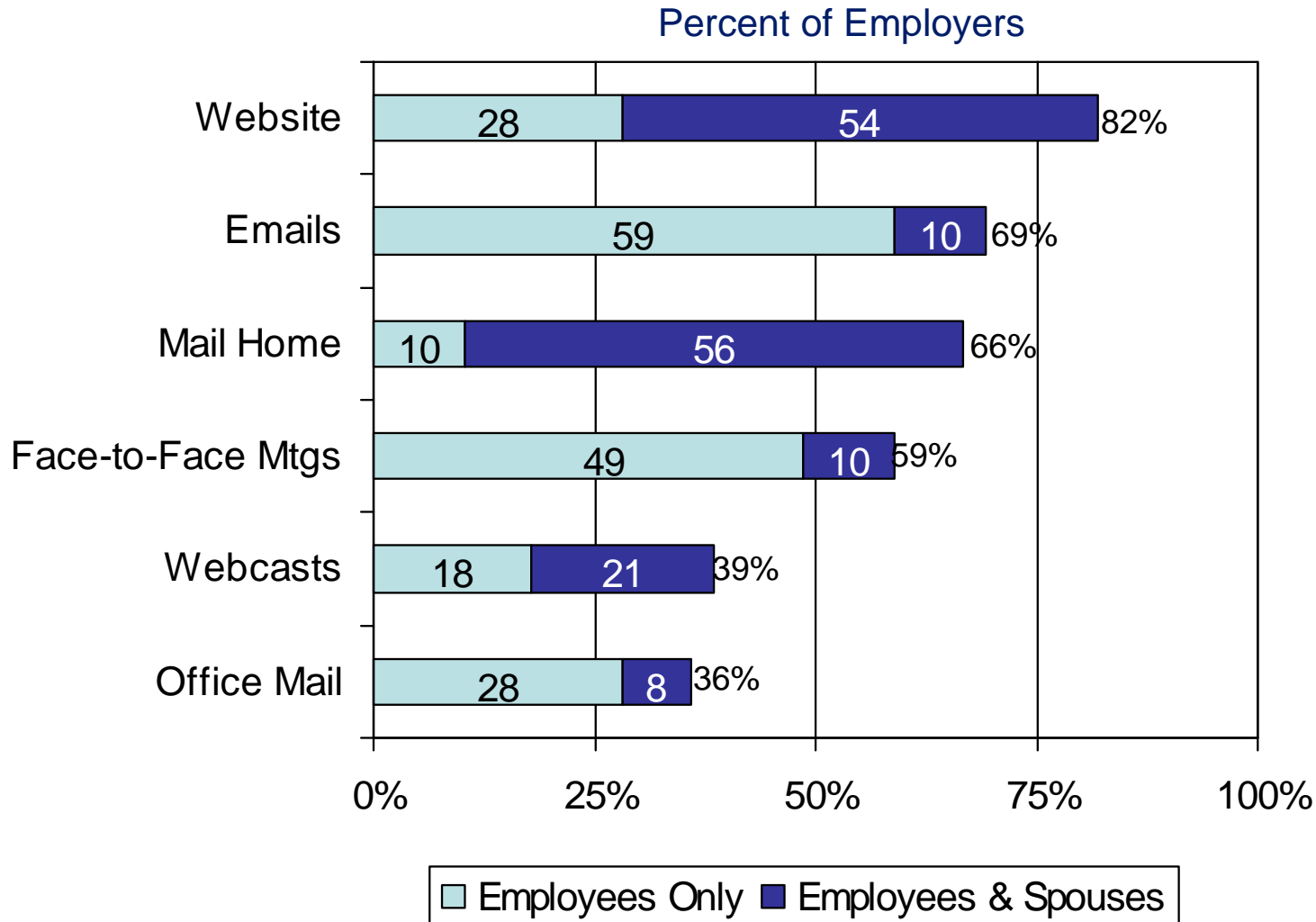
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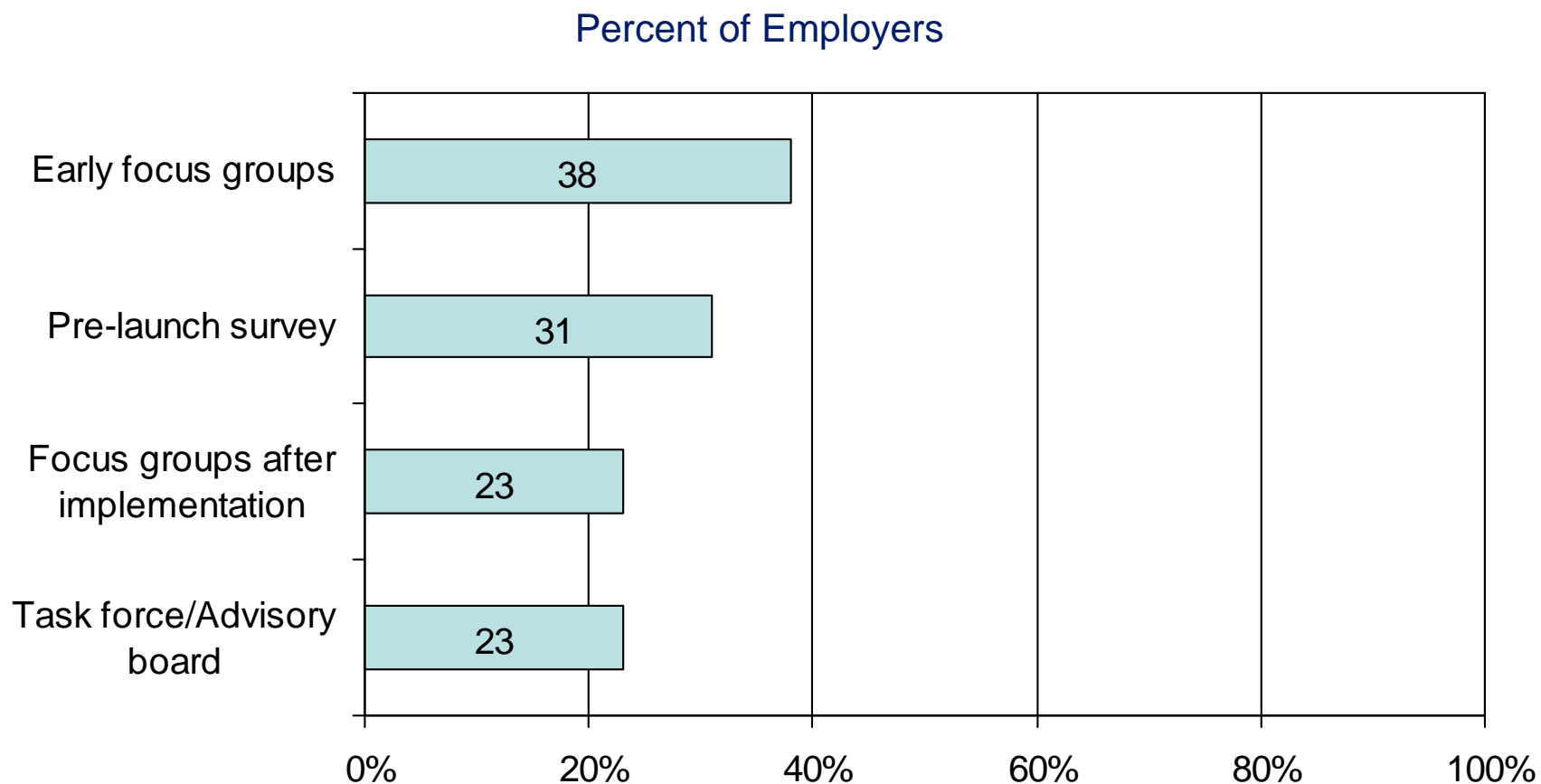
Multiple communication modes used -- rollout through enrollment



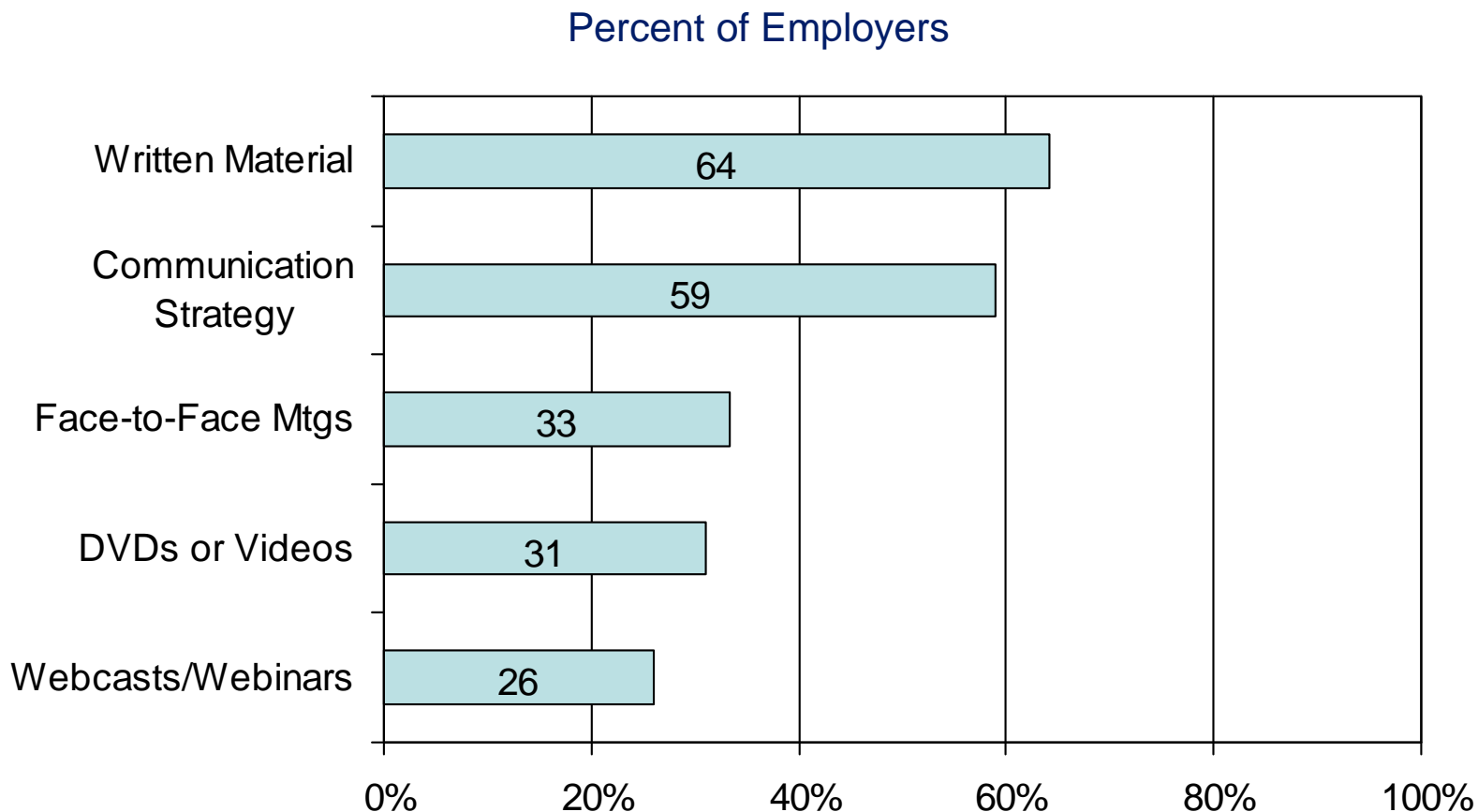
Multiple communication modes used -- 1st year of CDHP operation



Over half of employers involved employees in creating communication materials



Nearly 80% of employers used external help for communication and rollout



Implementation costs were substantial for external help, staffing, and advance communication

	Mean	Range (25 th -75 th percentile)
Estimated external cost of consulting and other labor, per employee	\$10.95	\$1.55-\$13.89
Estimated external cost of producing materials, per employee	\$7.48	\$1.38-\$11.11
Annual full time equivalents (FTEs) devoted to implementation	3.4 FTEs	1-3 FTEs
Number of months of communication of CDHP in advance of enrollment	4.3 months	2-6 months

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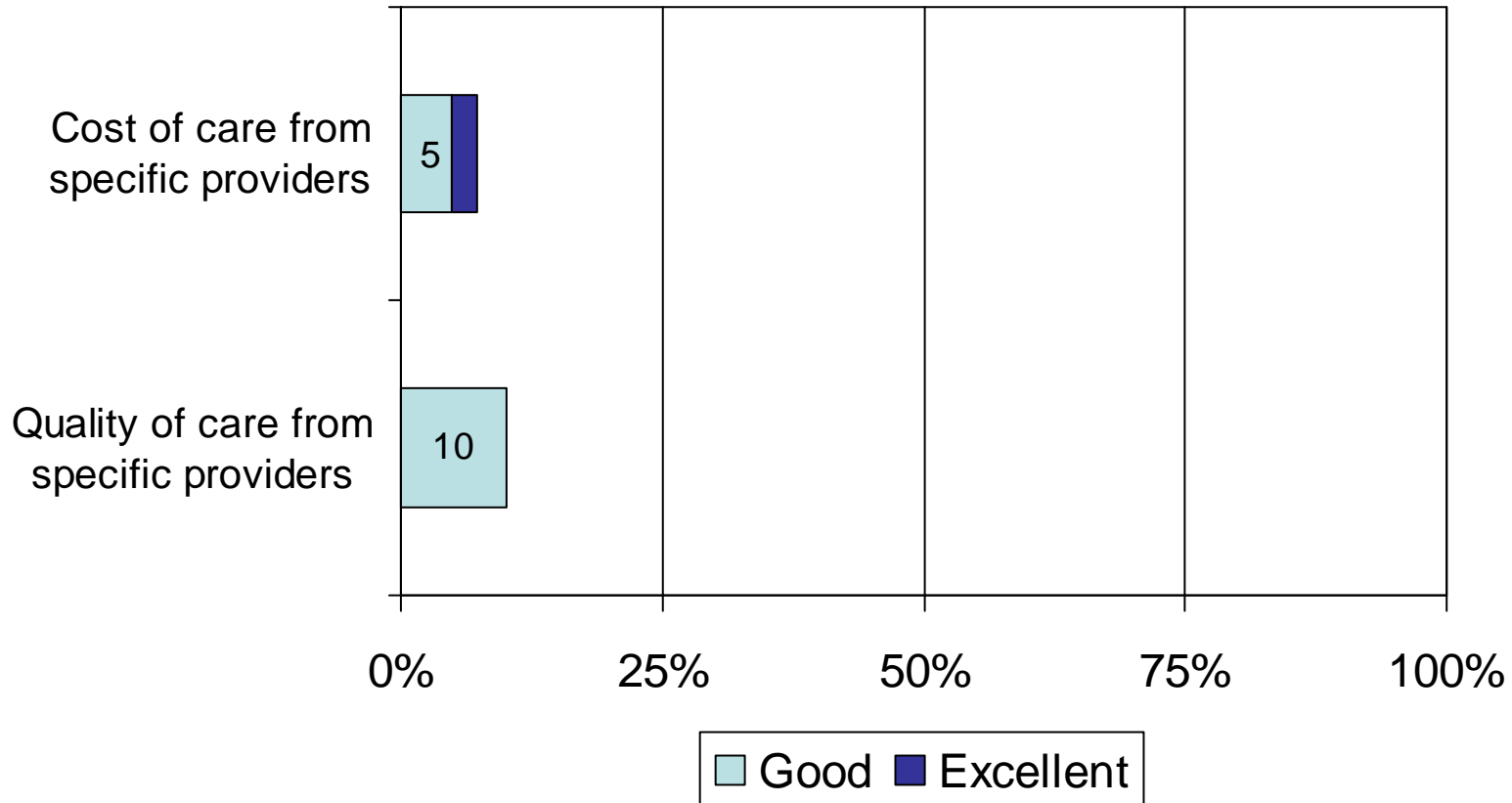
Information is key to consumer engagement

HR Executives emphasized consumer engagement:

- “How do people get the information they need to make good choices?”
- “How many people are seeing highly-efficient providers, and how can that behavior be rewarded?”
- “[We need to] get people to take health risk assessments, push people towards healthy behaviors, then see if these people reduce their medical costs.”

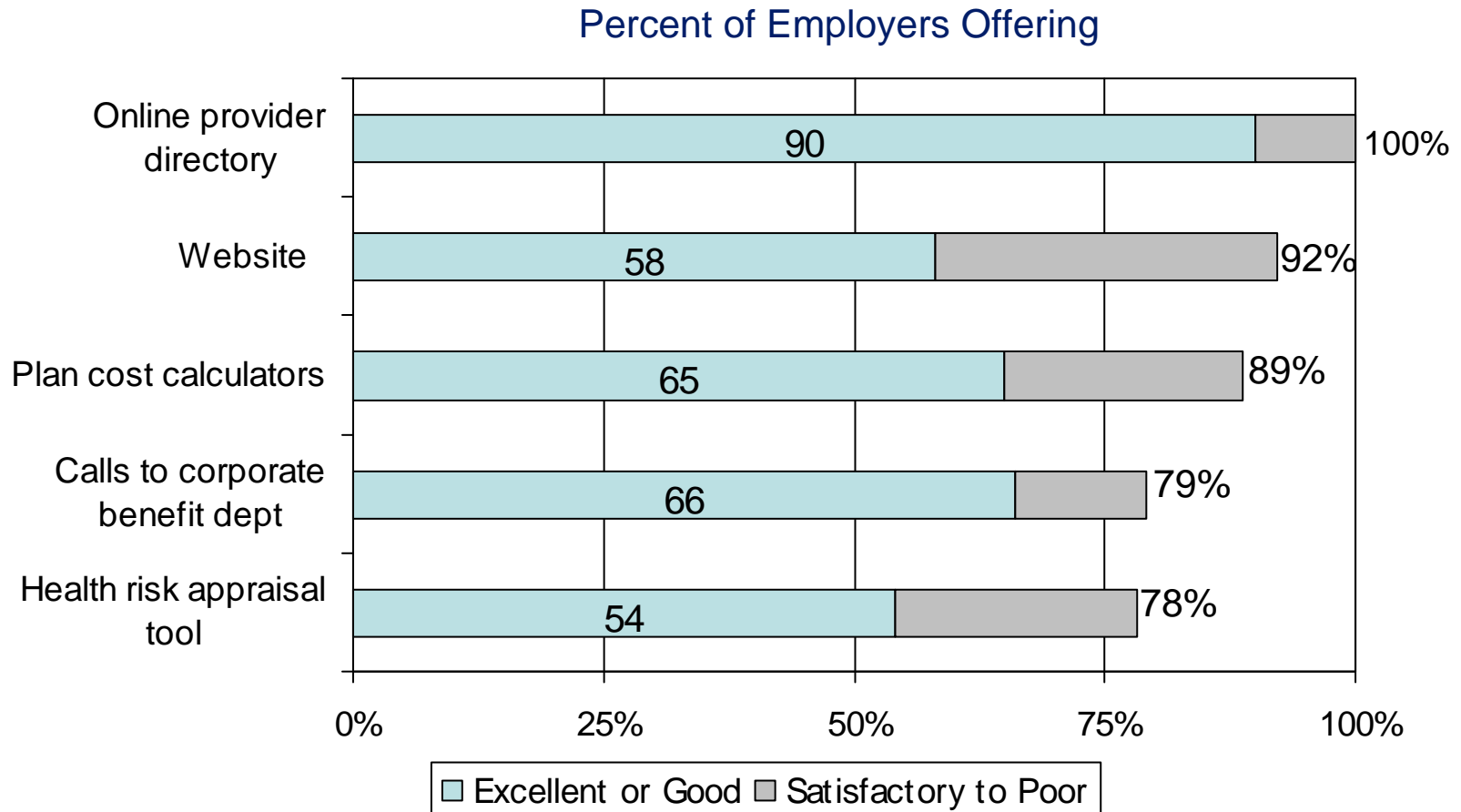
HR Executives' overall ratings of information tools is low

Percent of HR Executives



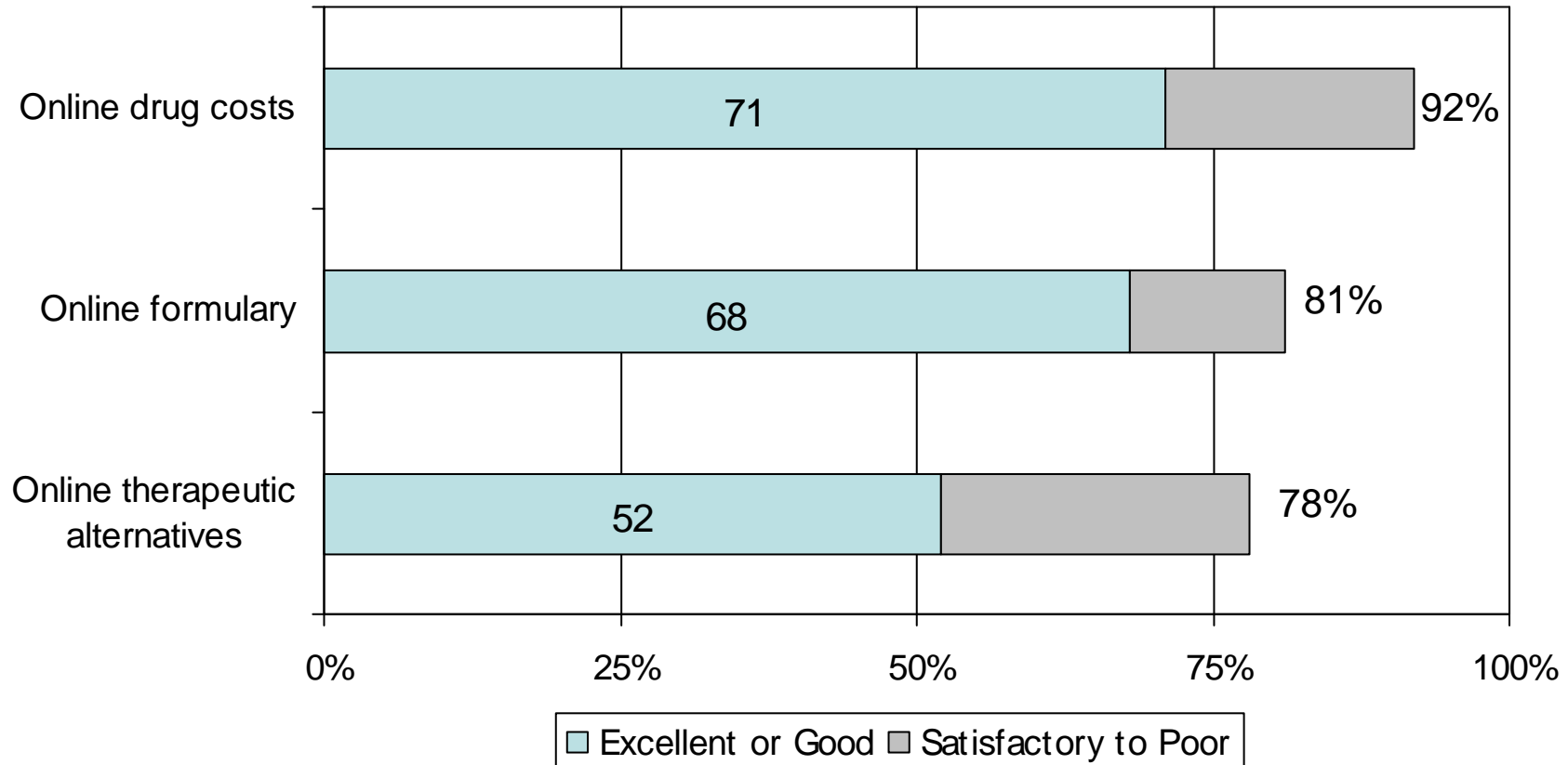
N=41

Only five tools used to introduce the CDHP rated highly



Many respondents rated prescription drug information as excellent or good

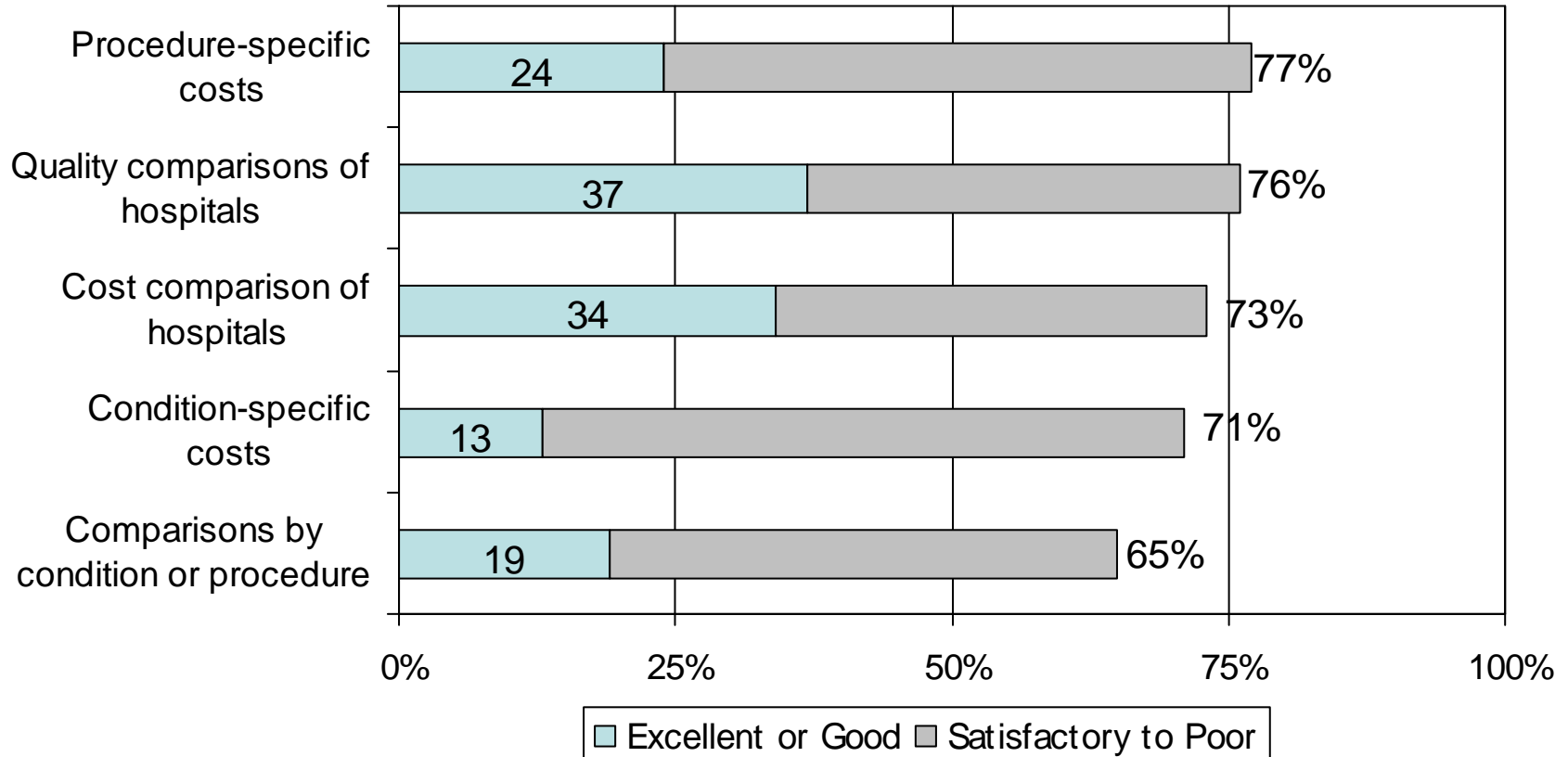
Percent of Employers Offering



N=38

Fewer respondents rated information about hospital cost and quality as excellent or good

Percent of Employers Offering



N=38

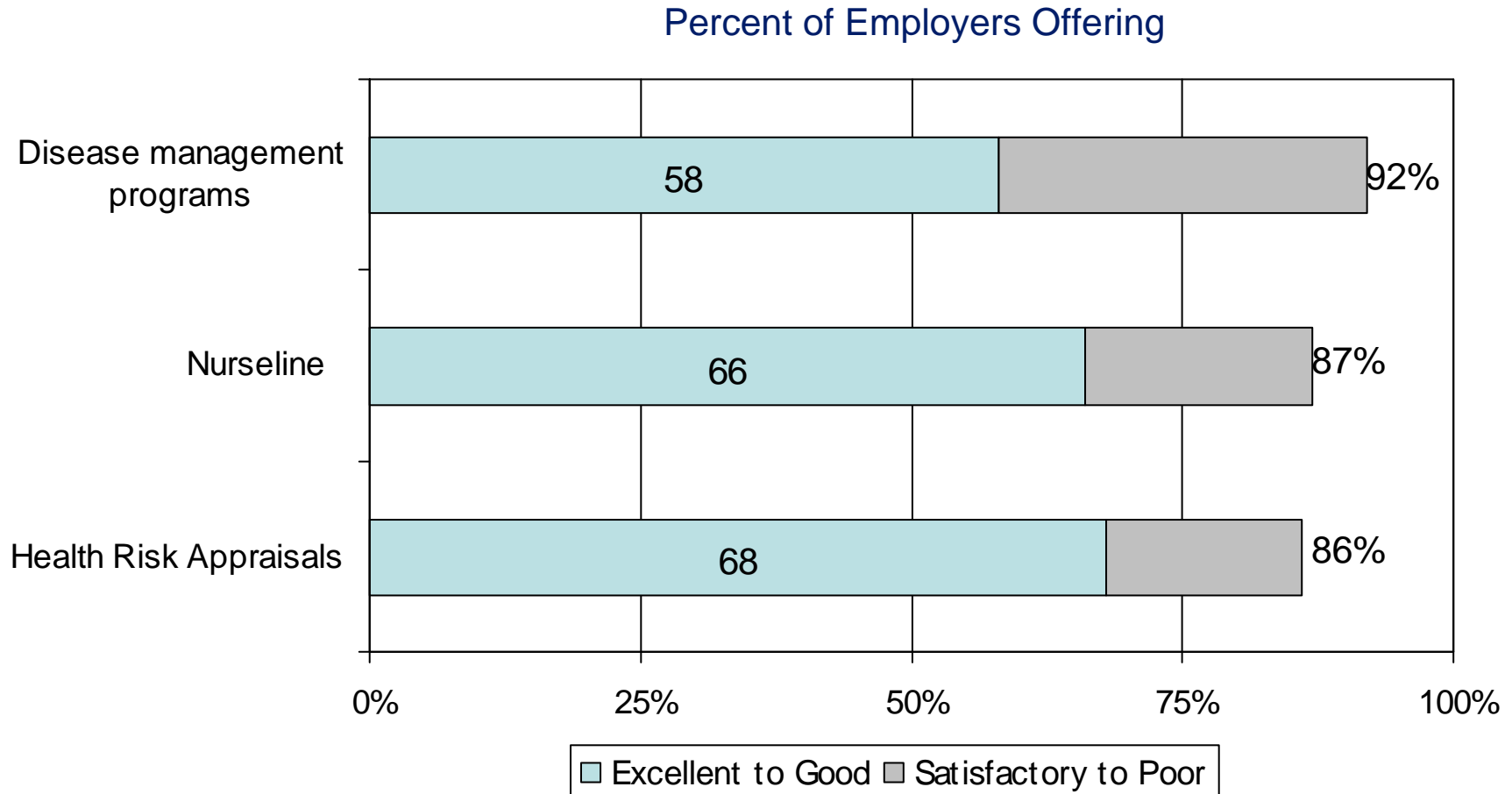
Very few respondents rated information about physician cost and quality as excellent or good

Percent of Employers Offering



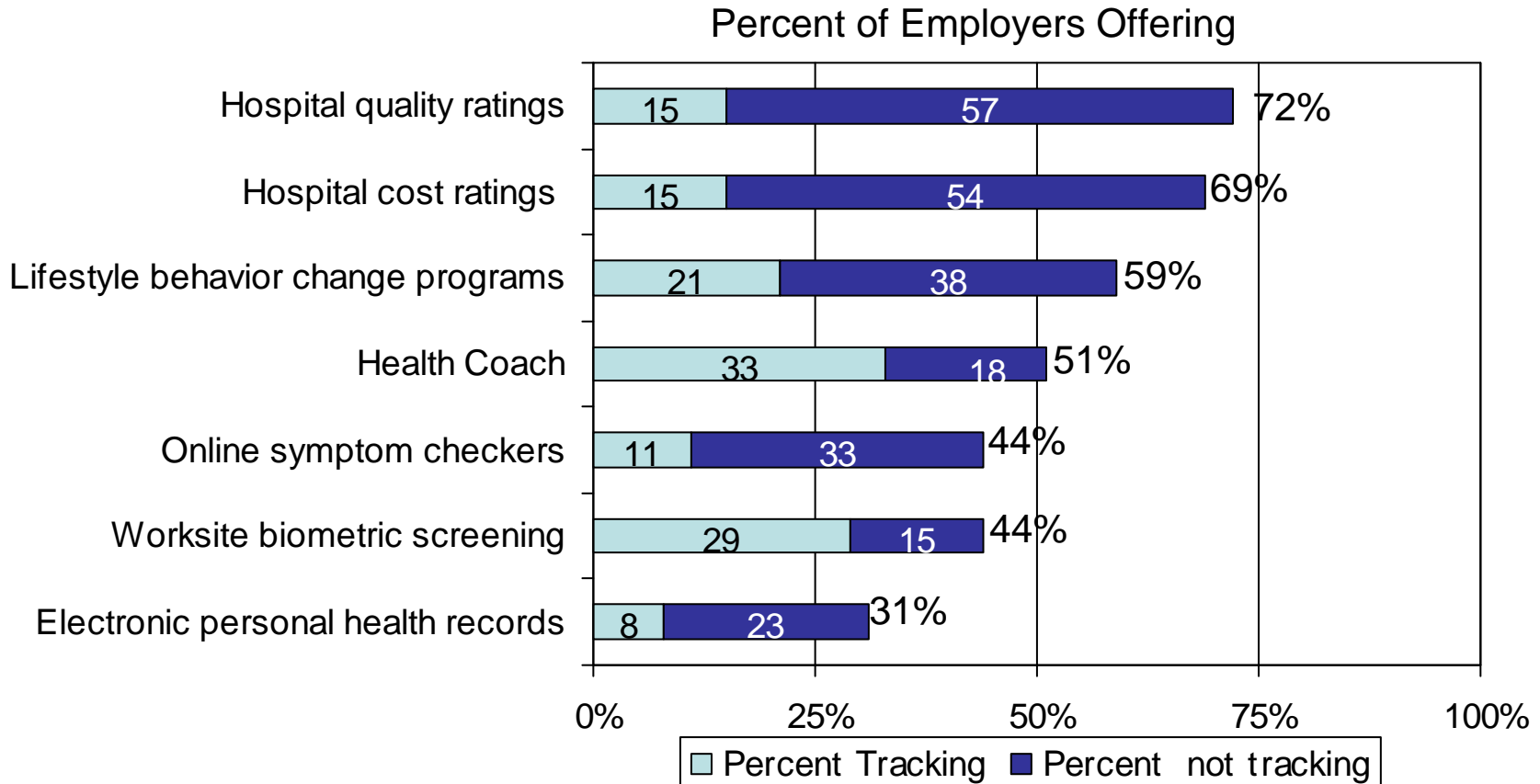
N=38

Most employers offer some health management resources and rate them highly



N=38

Use of most tools is not tracked, even if offered



N=38

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- **Lessons learned and future role of CDHPs**

CDHP implementation is a major change and requires extensive employee communication

- 80% of HR executives cited the importance of employee communication
 - “There’s no such thing as too much personal communication, especially face-to-face.”
 - “Assume no one has read anything. Dumb down the materials. Communicate it once and then do it again 4 or 5 more times in different ways.”
- Need senior management to help promote the CDHP
- Allow plenty of time and effort to roll out the plan
- The first year is the hardest

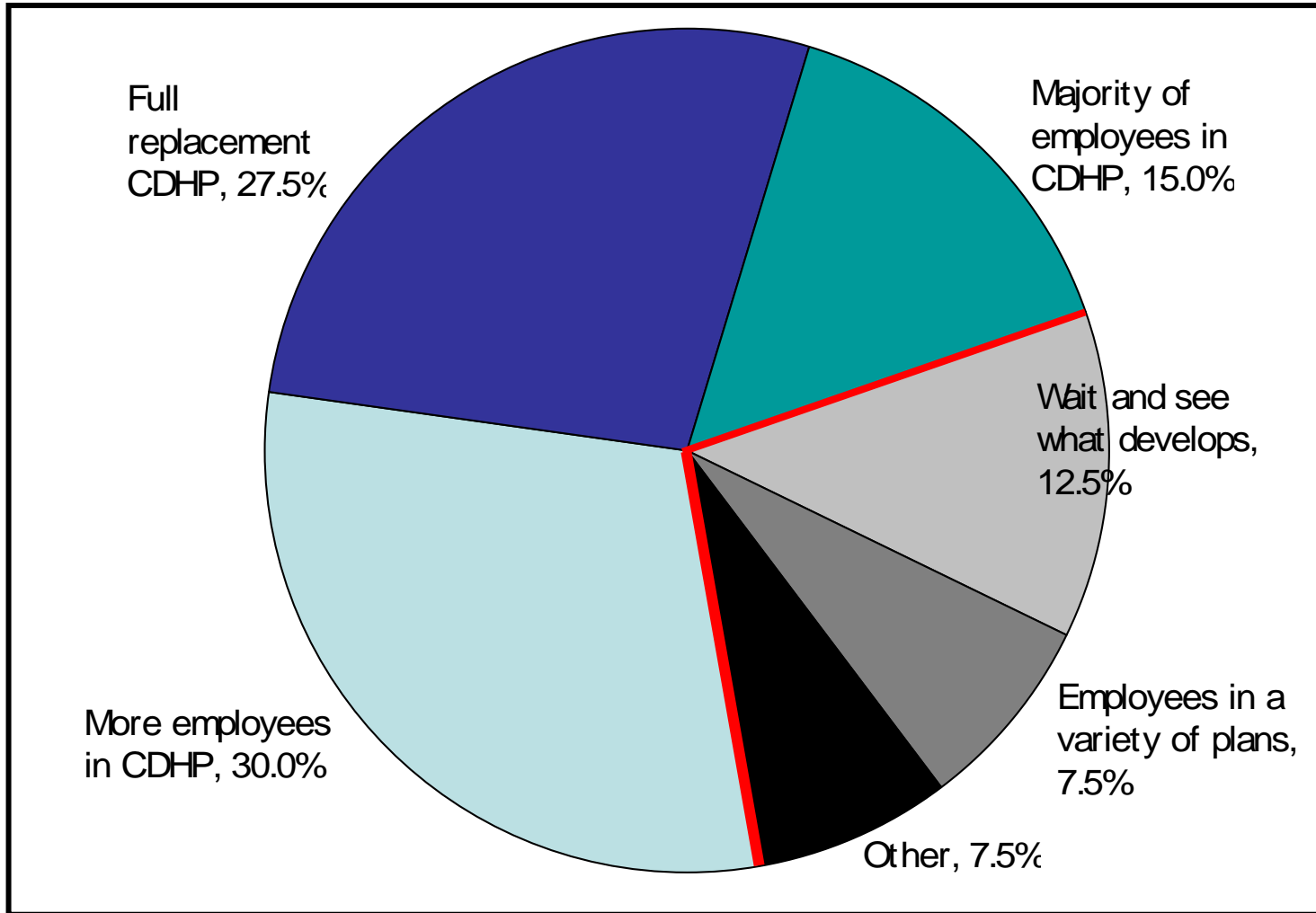
How employers addressed communication challenges during initial rollout and enrollment

- Repetitive and sustained communications through multiple channels
- Tailor to structure of company
 - Face-to-face meetings when employees in a few locations
 - E-mail and intranet site when employees on-line
 - Mailings and newsletters when employees in many locations and not on-line
 - Diverse company cultures
- Train people to “do the math”
 - Example employees under each plan option
 - Modeling tools to calculate out-of-pocket costs
- Force everyone to re-enroll each year so they pay attention

Lessons about plan design and operation

- Stick with standard products that are proven
- Pick vendors carefully and make sure they can do what they claim
- HSAs have advantages over HRAs
 - Better incentives/engagement for consumer
 - Portability
 - But also require employees to open accounts
- Two schools of thought regarding full replacement:
 - Much more payoff for the same amount of work
 - Many employers want to continue offering choice

HR executives see continued commitment to CDHPs



Questions & Answers