Comments on High Deductible Plans

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High Deductible Plan Benefits

- Brings consumers into the medical marketplace
  - Sensitivity to the trade-offs of costs and quality
  - Direct financial incentive to “shop”
  - Forces priority setting
- Greater alignment of need and spending
  - Reductions in low or no-value care
  - “someone else cannot and will not pay for everything some doctor and patient want” (J. Robinson, UC Berkeley)
- Clinical impacts
  - First dollar coverage of prevention services
  - Greater sensitivity to the impact of lifestyle choices on future spending
Impact on Consumers

Has increased spending on health care expenses in the past year caused you to . . .

- Choose generic drugs when available: 81%
- Try to take better care of yourself: 74%
- Talk to the doctor more carefully about treatment options and costs: 58%
- Go to the doctor only for more serious conditions or symptoms: 57%
- Delay going to the doctor: 45%
- Switch to over-the-counter drugs: 40%
- Look for less expensive health care providers: 28%
- Look for cheaper health insurance: 26%
- Save additional money in a flexible spending account: 25%

Source: 2004 EBRI Health Confidence Survey.
High Deductible Plan Challenges

- Patients with chronic disease
  - Require non-catastrophic, non-preventive care – “donut hole”
  - Temptation to decrease needed maintenance care
- Preventive care
  - Extent of coverage
- Consumer education
  - Learning to care
  - Shopping for care
- Availability to vulnerable groups
  - Low income
  - Low education
  - Already sick
- Selective enrollment
  - Impact on the insurance pool
Impact on Access

Source: Harris Interactive Inc.
Doubling co-payments for patients with diabetes, asthma and gastric acid disorder led to:

- 10% increase in hospital days
- 17% increase in ER visits

Prescriptions and Co-pays

Percent of enrollees discontinuing use of all drugs in class:

- **Copayments Increased**
- **Copayments NOT Increased**

![Bar Chart]

- **ACE Inhibitors**
  - Copayments Increased: 16.2%
  - Copayments NOT Increased: 6.4%

- **Statins**
  - Copayments Increased: 21.3%
  - Copayments NOT Increased: 10.6%

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Alternative Approach

- Pitney Bowes example
  - Used predictive modeling and disease management to manage target conditions and health cost drivers
    - Conditions: asthma, diabetes and cardiovascular
    - Key Cost Driver: Drug possession/compliance
  - Removed financial barriers to accessing medicines for target conditions. All drugs to treat target conditions moved to lowest tier (10% co-insurance)

- Results
  - Increases in drug possession rates
  - Total costs decreased 6% for diabetes and 15% for asthma
  - Total pharmacy costs decreased 7% for diabetes and 19% for asthma
    - Related to decreased use of drugs used to treat complications
Logic of “Intelligent Design”

If:
Chronic disease prevalence is growing

And:
RX is an integral part of managing most chronic conditions

And:
Low possession rates of target medications is key predictor of future disease burden and cost

Then:
Company’s future health claims can be reduced by keeping employees with chronic disease on their medications

How to keep employees taking their chronic disease medications?

If:
Rx drugs are subject to price elasticity of demand

And:
Rx drug demand elasticity is a function of cost

And:
Medication compliance is a function of drug access and affordability

Then:
Put target chronic disease medications on most affordable tier to increase compliance with disease management program

Source: David Horn Presentation, Pitney Bowes, May 2005
Key Unknowns

- Will employers **promote** employees’ health
- Will consumers **optimize** their own health
- Will patients avoid **unnecessary** care
- Will patients shop for **high value** care
- Will providers **compete** for patients
- Will short-term **savings** result in long-terms **costs**