What’s Driving Consumer Directed Health Plans: Early Experience

Health Industry Forum

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Chairman
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Agenda

• Why CDHPs?
• CDHP Benefit Designs
• Experience to Date
• Tools for CDHP Success
• Market & Policy Outlook
Employers Shoulder the Burden

Why CDHPs?

The Percentage of Health Care Costs Paid by Consumers Has Dropped Dramatically Since 1970

Source: Centers for Medicare and Medicaid Services, 2005
Questions Re: Quality & Value

Health care is 15% of the GDP, but we don’t know what we’re getting for our money

• Variation in Hospital Care
  – More care and higher spending do not result in better outcomes (Dartmouth)

• Variation in Evidence-Based Care
  – Nearly 50% of physician care not based on best practices (RAND)

• Variation and Affordability
  – Variation in price does not correlate with quality (Internal data, GAO)
CDHP Objectives

- Use financial incentives to sensitize consumers to cost of care
- Use consumers to promote provider competition based on quality and cost
- Encourage consumers to take an active role in their own health and health care
- Foster physician-patient shared decision-making
- Reduce spending on unnecessary care, treatments with marginal clinical value and harmful care
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WellPoint Plan Examples

Range of Consumer-Driven Plan Designs

**High-Deductible Plan**
- High-Deductible Plan
  - $3,000 Annual Deductible
- Deductible waived on 4 office visits/year; includes exams, lab & x-ray
- Traditional Health Coverage
  - $30 office visit (4/year)
  - $10 generic Rx co-pay
- Preventive Care
  - $30 co-pay
  - 4 office visits/year

**HRA Plan**
- Health Reimbursement Account (HRA)
  - $2,000 funded by employer
- Bridge
  - $1000
- Traditional Health Coverage
  - 90% Discount
  - 70% No Discount
- Preventive Care
  - 100%

**HSA Plan**
- Health Savings Account (HSA)
  - $2,650/$5,250 funded by employee and/or employer
- Bridge varies by employee/employer
- Traditional Health Coverage
  - 90% Discount
  - 70% No Discount
- Preventive Care
  - 100%

*Note: Tonik product designed for individuals; does not include maternity benefits.*
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Experience to Date

• Enrollment
• Demographics
• Key Findings
• Satisfaction
Enrollment

• Who is buying an HSA?

<table>
<thead>
<tr>
<th>Market</th>
<th>September 2004</th>
<th>March 2005</th>
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<tbody>
<tr>
<td>Individual</td>
<td>346,000</td>
<td>556,000</td>
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<tr>
<td>Small group</td>
<td>79,000</td>
<td>147,000</td>
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<tr>
<td>Large group</td>
<td>13,000</td>
<td>162,000</td>
</tr>
<tr>
<td>Other</td>
<td>-</td>
<td>165,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>438,000</td>
<td>1,031,000</td>
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</table>

• CDHP’s impact on Uninsured
  – 20-35% of HDHP/HSA plan enrollees previously uninsured
  – 68% of Tonik enrollees were previously uninsured

• 24% of the insurance market by 2010

# Demographics

HSA adoption is distributed among all educational and income levels.

## Education Levels of Enrollees

- **< High School Education**
  - HSA: 5%
  - HRA: 6%
  - Non-CDHP: 7%
  - Percent of Enrollees: 24%

- **High School**
  - HSA: 32%
  - HRA: 31%
  - Non-CDHP: 27%
  - Percent of Enrollees: 26%

- **Some College**
  - HSA: 27%
  - HRA: 27%
  - Non-CDHP: 34%
  - Percent of Enrollees: 45%

- **Bachelor’s Degree or Higher**
  - HSA: 35%
  - HRA: 32%
  - Non-CDHP: 24%
  - Percent of Enrollees: 7%

## Annual Income Level of Enrollees

- **$0-25**
  - HSA: 10%
  - HRA: 7%
  - Non-CDHP: 11%
  - Percent of Enrollees: 32%

- **$25-50**
  - HSA: 20%
  - HRA: 23%
  - Non-CDHP: 27%
  - Percent of Enrollees: 35%

- **$50-75**
  - HSA: 27%
  - HRA: 20%
  - Non-CDHP: 20%
  - Percent of Enrollees: 23%

- **$75-100**
  - HSA: 15%
  - HRA: 20%
  - Non-CDHP: 27%
  - Percent of Enrollees: 27%

- **$100+**
  - HSA: 14%
  - HRA: 17%
  - Non-CDHP: 20%
  - Percent of Enrollees: 20%

Source: BCSBA Preliminary HSA Workgroup Survey
**Demographics**

**HSA adoption is strongest among 45-54 year olds**

**Health Coverage by Age**

- **18-24:**
  - HSA: 7%
  - HRA: 11%
  - Non-CDHP: 8%

- **25-34:**
  - HSA: 22%
  - HRA: 19%
  - Non-CDHP: 20%

- **35-44:**
  - HSA: 26%
  - HRA: 32%
  - Non-CDHP: 23%

- **45-54:**
  - HSA: 37%
  - HRA: 25%
  - Non-CDHP: 22%

- **55+:**
  - HSA: 9%
  - HRA: 15%
  - Non-CDHP: 24%

Source: BCSBA Preliminary HSA Workgroup Survey
Demographics

CDHP and non-CDHP enrollment is similarly distributed by Health Status

Self-Reported Health Status

- Excellent
  - HSA: 12%
  - HRA: 10%
  - Non-CDHP: 10%
- Very Good
  - HSA: 31%
  - HRA: 29%
  - Non-CDHP: 31%
- Good
  - HSA: 46%
  - HRA: 49%
  - Non-CDHP: 46%
- Fair
  - HSA: 10%
  - HRA: 11%
  - Non-CDHP: 11%
- Poor
  - HSA: 1%
  - HRA: 1%
  - Non-CDHP: 1%

Source: BCSBA Preliminary HSA Workgroup Survey
**Key Findings: BCBSA Survey**

**HSA consumers are not significantly more likely to take negative actions to reduce costs**

- **Asked For Generic**: HSA 41%, HRA 29%, Non-CDHP 29%
- **Decided Not to Go to Doctor**: HSA 25%, HRA 19%, Non-CDHP 23%
- **Delayed Going to Doctor or a Medical Procedure**: HSA 22%, HRA 20%, Non-CDHP 25%
- **Delayed Filling or Did Not Fill Prescription**: HSA 18%, HRA 18%, Non-CDHP 18%
- **Taken Lower Recommended Dose**: HSA 6%, HRA 7%, Non-CDHP 7%

*Source: BCBSA Preliminary HSA Workgroup Survey*
Key Findings: McKinsey Study

• Value Consciousness
  – Over 50% more likely to ask about cost
  – Three times more likely to have selected a less extensive, less expensive treatment during the past 12 months (including those with chronic conditions)

• Wellness/Prevention
  – 25% more likely to engage in healthy behaviors
  – Over 30% more likely to get an annual check-up

• Cost Control
  – Over 20% more likely to follow treatment regimens for chronic conditions very carefully
  – Twice as likely to inquire about drug costs

Note: 1,000+ consumers with employer-based, full-replacement CDHPs and a control group with traditional insurance.

Source: McKinsey CDHP Consumer Research, 2005
Key Findings:

- 15% reduction in pharmacy costs
- 92% increase in generic substitution rate
- 18% reduction in outpatient visits
- 30 to 40% reduction in year-over-year cost trend
- Increased preventive care spending
  - 5% of total medical expenses represent preventive care expenditures compared with 2 to 3% market average
- Customers report changes in health and cost-related behavior since joining Lumenos*
  - 44% increased knowledge about managing their health care
  - 27% more involved in health-related behaviors

* Source: Lumenos Customer Satisfaction Survey, 2004
Key Findings: AnthemByDesign

• 80% of HRA enrollees carried over a balance in their HRA at the end of the 2004 plan year

• 85% of those who rolled over a balance at the end of the year had balance of $1,000 or more

• Medical Utilization and Clinical Metrics
  – Exceeded disease management target enrollment by 23%
  – Overall claim cost for ER and Inpatient decreased
  – Number of office visits increased; participants getting the care they need even with high deductibles
CDHP Satisfaction

**McKinsey findings of lower satisfaction suggest transition to CDHPs must be thoughtful**

Percent of respondents that are “more” or “equally” satisfied with CDHP plan vs. previous health plan

<table>
<thead>
<tr>
<th>Participating CDHP company breakout</th>
<th>Company 1</th>
<th>Company 2</th>
<th>Company 3</th>
<th>Company 4, 5</th>
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<tbody>
<tr>
<td>CDHP Net</td>
<td>44%</td>
<td>49%</td>
<td>24%</td>
<td>54%</td>
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</table>

Source: McKinsey CDHP Consumer Research, 2005
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Personalized Patient Information

- Guided programs for both the active and higher-risk member
- Uses member profile data and site personalization to find relative content
- New agreement with WebMD to provide enhanced online health information and resources
Personalized Claims Detail

Claims Details: A closer look at your claim

Customer Name: [Redacted]
Provider Name: [Redacted]
Claim Number: [Redacted]
Date Finalized: 01/22/2004

Payments

<table>
<thead>
<tr>
<th>Service (Units)</th>
<th>Provider Charged</th>
<th>Amount Allowed by your Benefit</th>
<th>Amount Paid</th>
<th>Benefit Level</th>
<th>Your Responsibility</th>
<th>Explanation</th>
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<tbody>
<tr>
<td>SYNTHROID (30)</td>
<td>$20.42</td>
<td>$20.42</td>
<td>$20.42</td>
<td>0%</td>
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<td>$20.42</td>
<td>$0.00</td>
<td>$0.00</td>
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</table>

You may be able to save money by using an alternative medication. Select the drug name above to explore possible alternatives and the associated costs so you can discuss your options with your doctor.

Your Responsibility Details

Your responsibility is: $0.00

Other Details

Amount that counted toward your Traditional Health Coverage (from this claim): $20.42

To protect your privacy, you can view your own service descriptions and provider names only.
Decision-Making Tools: Comparing Providers / Drugs

- User-friendly data and information
- Research more than 150 different medical conditions and procedures
- Compare hospital quality
## Decision-Making Tools: Local Pharmacy Prices

### Prescription Price Check

To help you find the lowest price for your prescription, we have listed actual discounted prices paid by other Lumenos consumers for all quantities of your drug over the last 90 days. The actual price you pay could be different due to daily fluctuations in drug prices set by the manufacturer and the pharmacy.

#### Change Your Search for this Drug

- **Drug Name:** LIPITOR
- **Dosage:** 40MG
- **Quantity:**

#### New Search

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<tr>
<th>Distance (Miles)</th>
<th>Dosage</th>
<th>Pharmacy</th>
<th>Quantity</th>
<th>Price</th>
<th>Most Recent Date of Sale</th>
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<tbody>
<tr>
<td>0.80</td>
<td>40MG</td>
<td>SAMS PHARMACY #10-8242</td>
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<td>0.88</td>
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<td>0.33</td>
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<td>$102.38</td>
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<tr>
<td>12000 MCCREE RD</td>
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<td>DALLAS, TX 75238</td>
<td></td>
<td></td>
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<tr>
<td>(214) 461-8777</td>
<td></td>
<td></td>
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<tr>
<td>1461 ROBERT B CULLUM BLVD</td>
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<td>(214) 421-0750</td>
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Market & Policy Outlook

- Surveys indicate more employers will offer CDHPs
- Higher enrollment will force HSA changes:
  - Permit prescription drugs to be offered below deductible, including maintenance drugs
  - Allow individual family members to satisfy individual deductible not family deductible
  - Raise contribution limits, including giving employers flexibility to contribute more to low paid workers or workers with chronic conditions
- Long-term success requires addressing complexity, need for information and impact on low-income or chronically ill
Conclusion

• Elements of CDHPs becoming prevalent across all products, but market still demands choice
• CDHPs will face same challenges as traditional insurance to slow health care cost growth
• CDHP database growing, but too early for firm conclusions
• A balanced view of CDHPs requires “reasonable expectations”*

* Reference: See Roberta Goodman’s Overview of Consumer-Driven Health Care, 2005