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# **What's Driving Consumer Directed Health Plans: Early Experience**

## **Health Industry Forum**

**Leonard D. Schaeffer  
Chairman**

**WellPoint, Inc.**

**October 3, 2005**



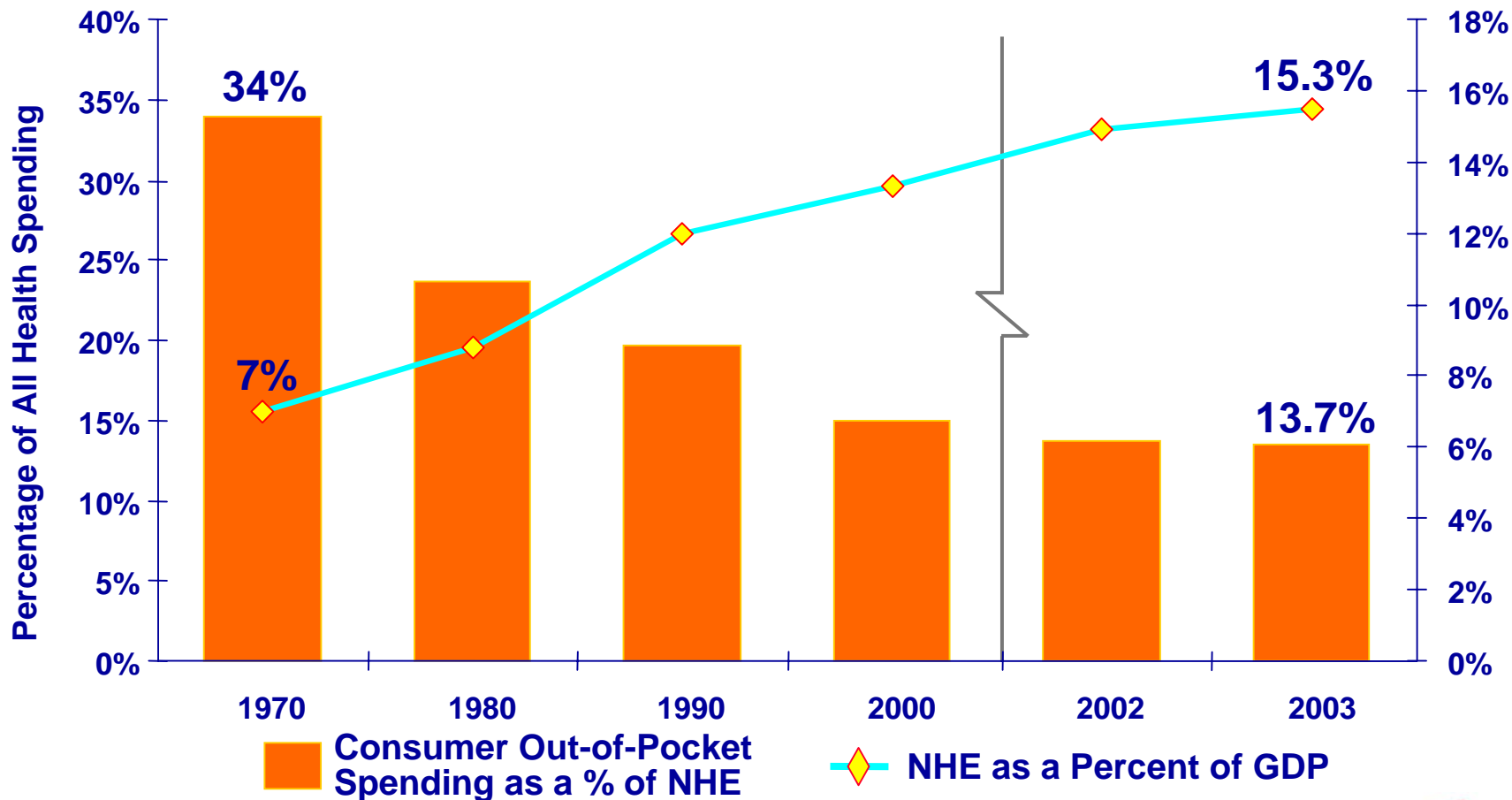
# Agenda

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- **Why CDHPs?**
- **CDHP Benefit Designs**
- **Experience to Date**
- **Tools for CDHP Success**
- **Market & Policy Outlook**

# Employers Shoulder the Burden

*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

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- **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**

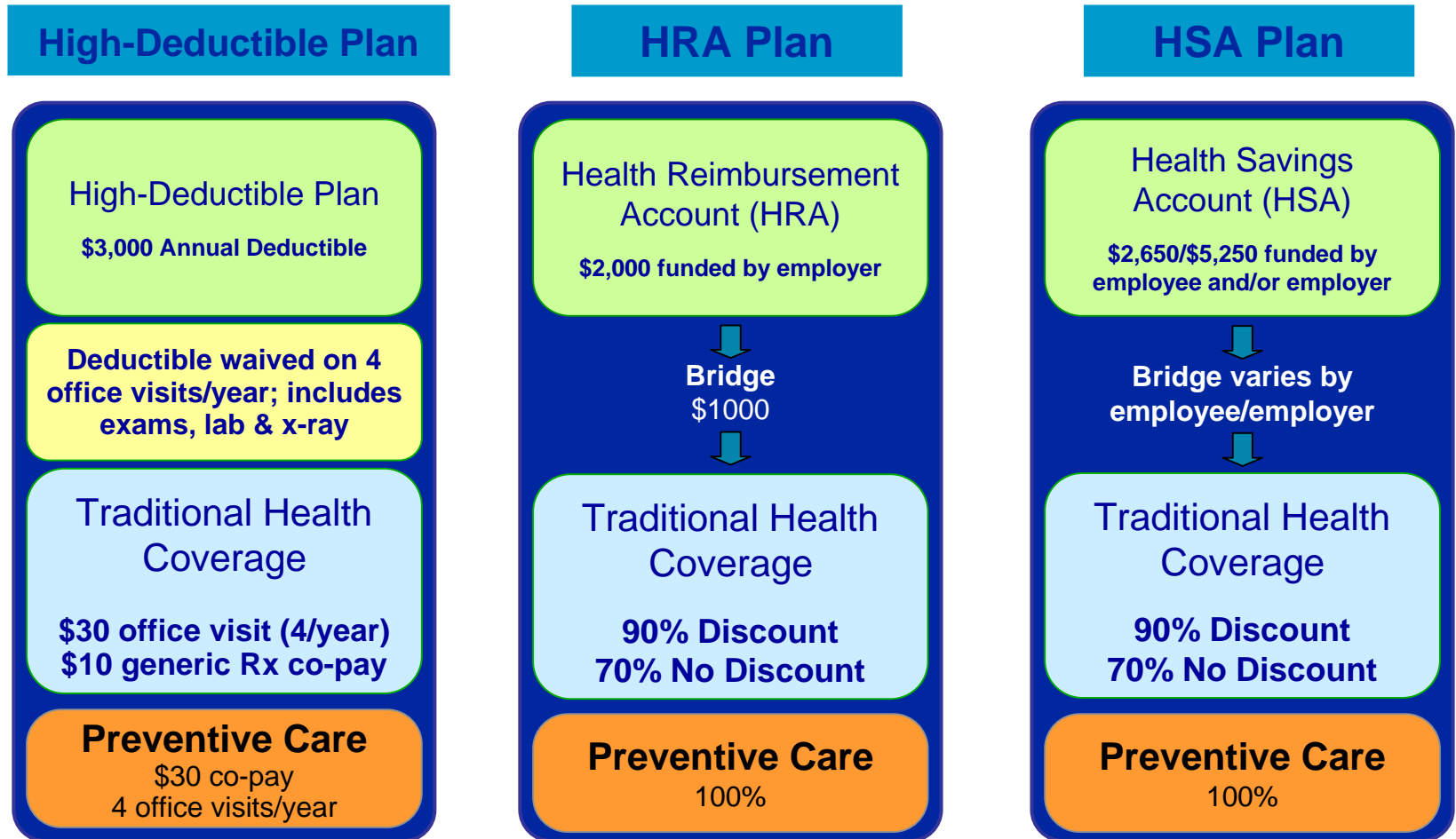
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# WellPoint Plan Examples

## Range of Consumer-Driven Plan Designs



Note: Tonik product designed for individuals; does not include maternity benefits.

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# Experience to Date

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- **Enrollment**
- **Demographics**
- **Key Findings**
- **Satisfaction**

# Enrollment

- **Who is buying an HSA?**

<i>Market</i>	<i>September 2004</i>	<i>March 2005</i>
Individual	346,000	556,000
Small group	79,000	147,000
Large group	13,000	162,000
Other	-	165,000
<b>TOTAL</b>	<b>438,000</b>	<b>1,031,000</b>

- **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**

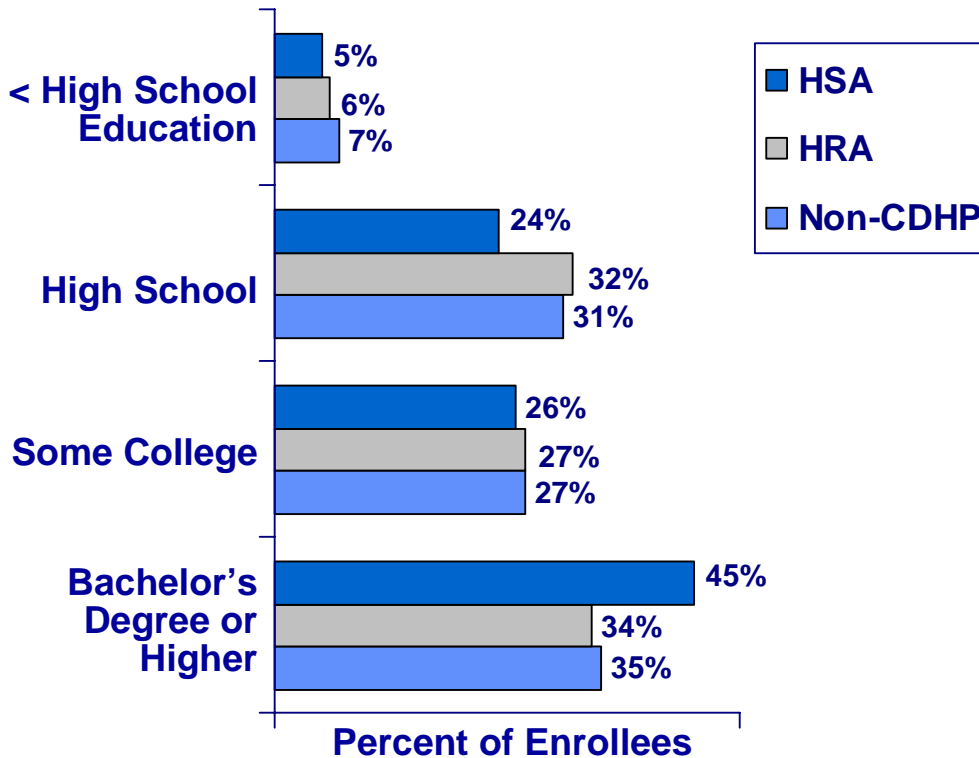
Sources: 1) America's Health Insurance Plans, "Number of HSA Plans Exceeded One Million," March 2005; 2) RAND "Consumer-Directed' Health Plans: Implications for Health Care Quality and Cost," June 2005; internal WellPoint data; 3) HRfocus (Forrester Research) "Periodic Checkup: Consumer Directed Health Plans," 2004.



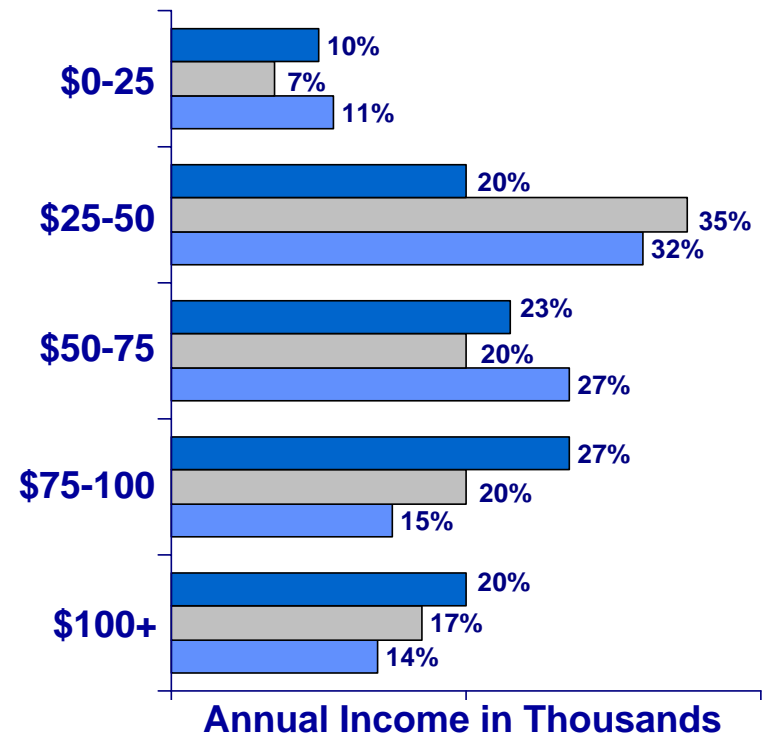
# Demographics

*HSA adoption is distributed among all educational and income levels*

Education Levels of Enrollees



Annual Income Level of Enrollees



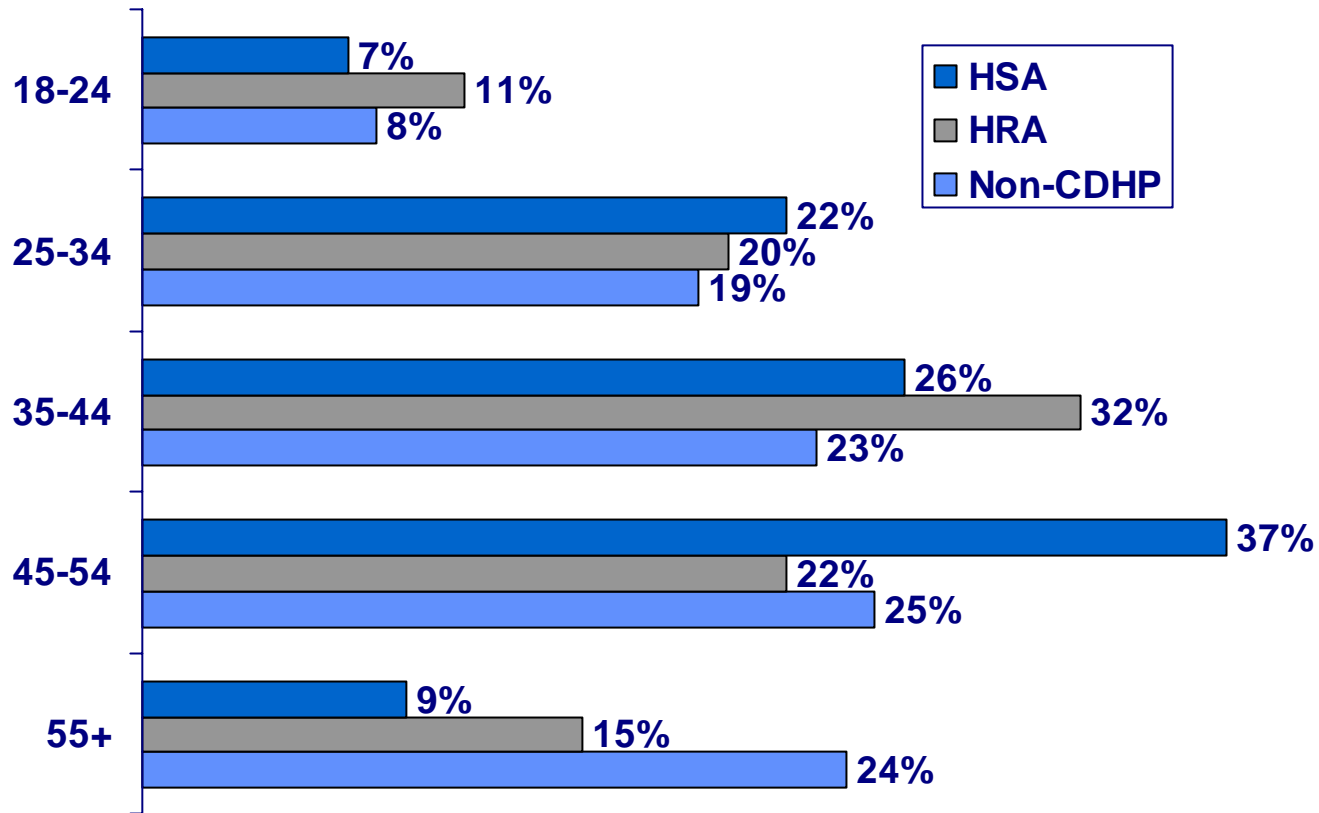
Source: BCSBA Preliminary HSA Workgroup Survey



# Demographics

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

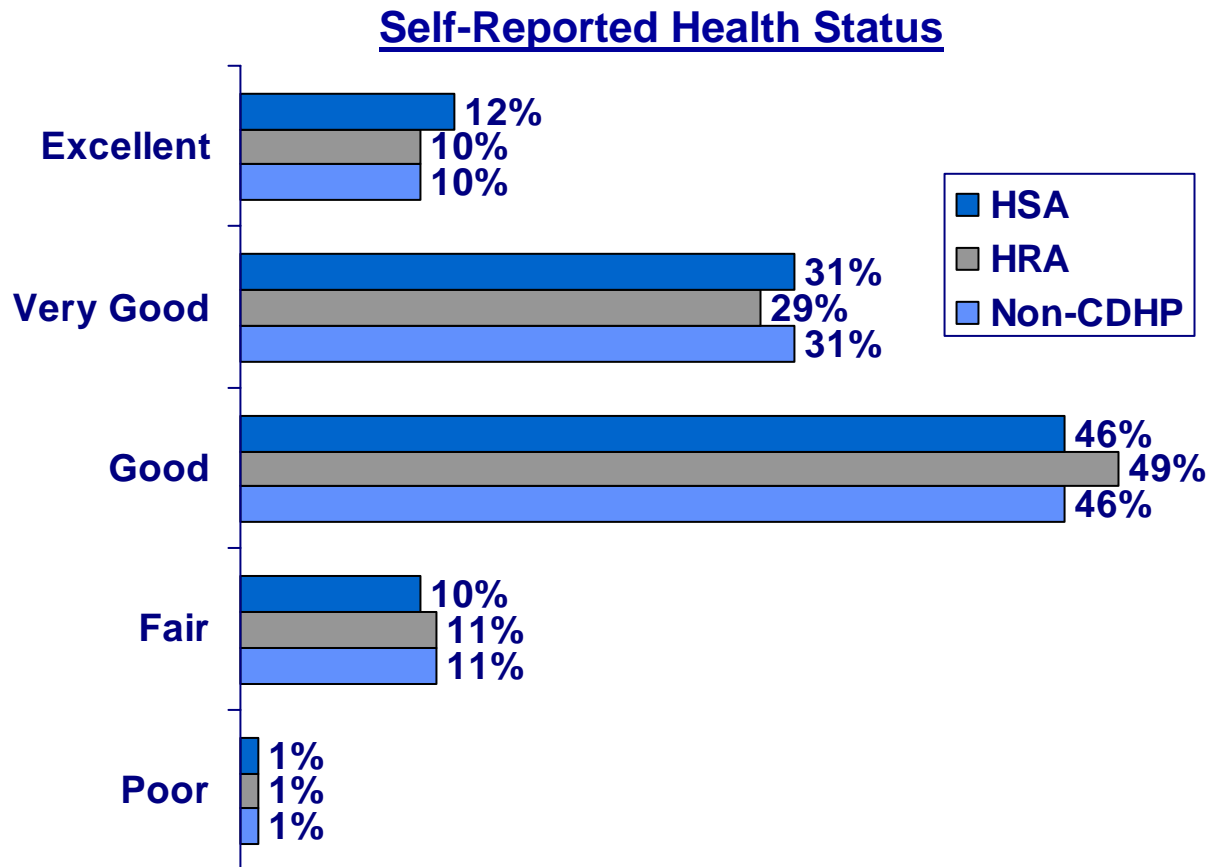
Health Coverage by Age



Source: BCSBA Preliminary HSA Workgroup Survey

# Demographics

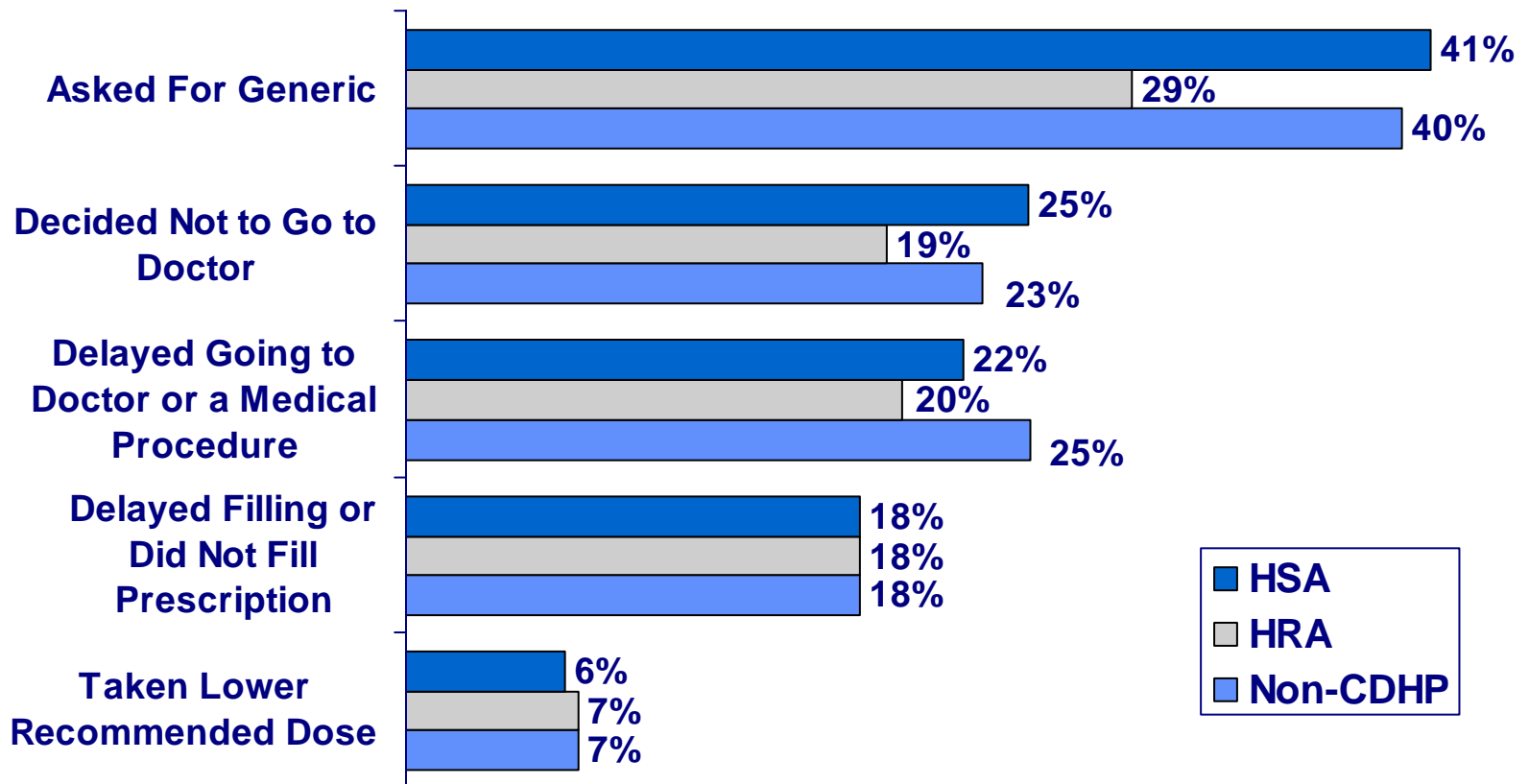
***CDHP and non-CDHP enrollment is similarly distributed by Health Status***



Source: BCSBA Preliminary HSA Workgroup Survey

# Key Findings: BCBSA Survey

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



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:



**Lumenos**  
Health Care Enlightened

- **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

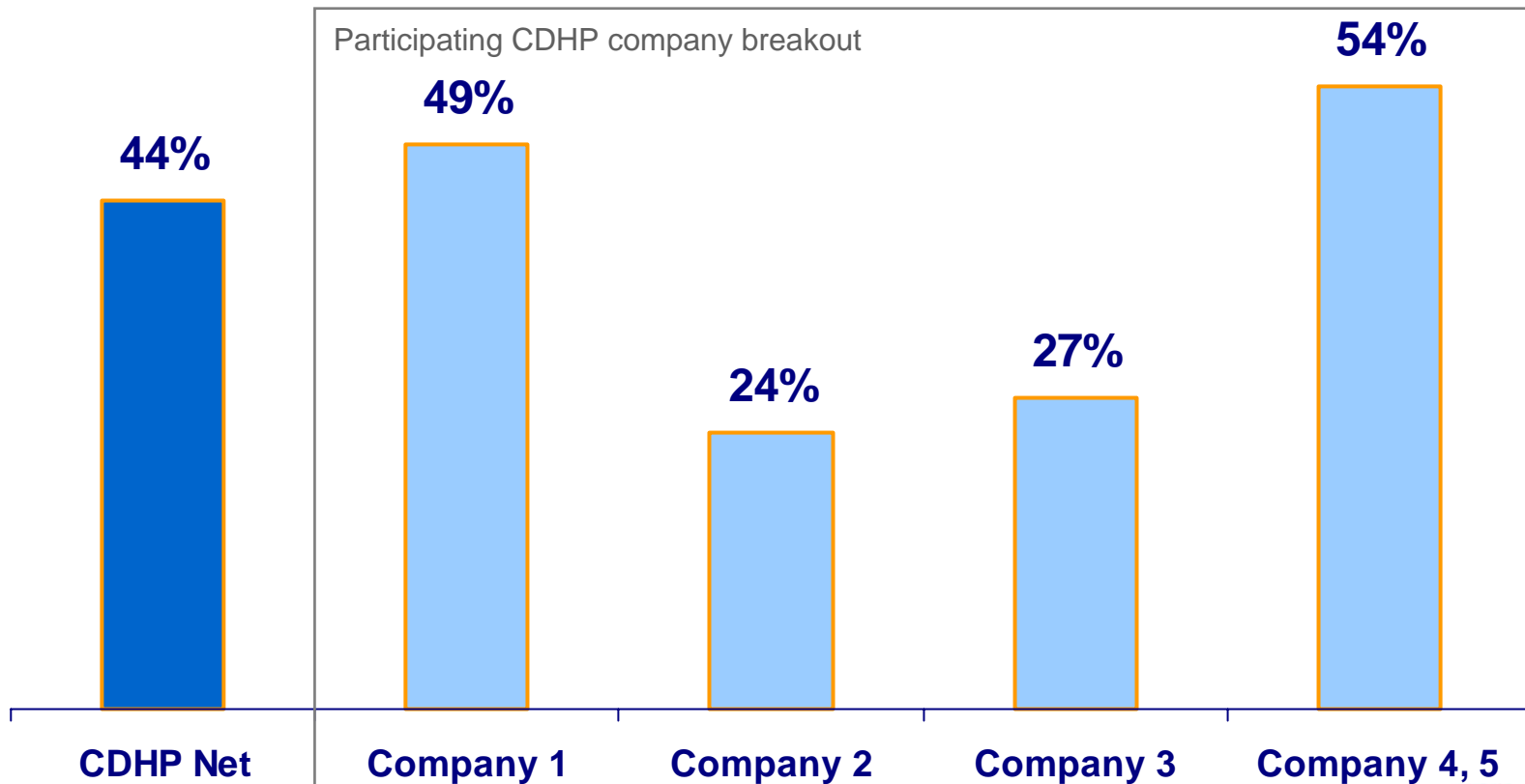
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- **80% of HRA enrollees carried over a balance in their HRA at the end of the 2004 plan year**
- **85% of those who rolled over a balance at the end of the year had balance of \$1,000 or more**
- **Medical Utilization and Clinical Metrics**
  - **Exceeded 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



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

The screenshot displays the MyAnthem website interface. At the top right, the date "25 Apr 2003" is shown. The main header features the "Anthem" logo and "MyAnthem™" with a "Contact Us" link. Below this is a navigation bar with tabs for "MyAnthem", "MyServices", "MyProviders", "MyHealth", "MySpecialOffers", and "Logout".

The main content area includes a "Welcome To MyHealth" section with a message: "MyProviders offers quick access to Anthem Network Providers as well as information to help make your health care choices easier." Below this are three featured articles:

- MyHealth@Anthem**: Helping you achieve a healthy lifestyle is just one way Anthem services its members. Visit MyHealth@Anthem to browse thousands of health and wellness articles, newsletters, tools, and databases. Create a MyHealth@Anthem profile to subscribe to regular health news and care center updates.
- Treatment Decision Support Tool**: Learn how to prepare for a surgical procedure and get detailed information about various medical conditions including symptoms and treatment options.
- Health Risk Assessment**: An interactive health guide which uses a questionnaire to help identify potential risk factors and creates a customized report that can help you can discuss your concerns with your physician.
- Anthem Care Advocate Program**: The Care Advocate Program offers specially trained registered nurses, available to assist you and your family with health-related questions, provide you with information on treatment alternatives, help coordinate health care services, and more.

On the right side, there is a "Customer Service" section with links for "Phone 888-555-1212", "E-mail", and "Live Chat available". Below that is a "What's New in MyHealth?" section with links for "Checking Your Blood Sugar Online", "Anthem's Drug Information Center", and "more".


At the bottom right, there is a "Health Centers Quick Start" section with links for "Allergies", "Diabetes", "Pregnancy", and "more...".

At the bottom left, there is a "MyHealth Tools" section titled "Cool Tools from MyHealth@Anthem" with a list of tools: "Immunization Scheduler", "Body Mass Index Calculator", "Headache Assessment", "Daily Calorie Needs Calculator", "Nutrition Toolbox", "Animated Guide: Breast Self Exam", and "more".

At the bottom center, there is an "In The News" section with links for "EXCLUSIVE: Defibrillators in Schools: Lifesaving lessons", "Pills that promise more than just birth control", "Decoding Depression", "Women's health care is all-encompassing", and "more".

At the bottom right, there is a "my preferences" link.

# Personalized Claims Detail



My Lumenos Home

Doctors Plus Directory

My Health

My Account

My Benefits

[Log Out](#)

At a Glance

**Claims Details: A closer look at your claim**

HSA Activity

**Customer Name:** Pharmacy Claim

**Provider Name:** Pharmacy Claim

**Claim Number:** 01/22/2004

**Date Finalized:** 01/22/2004

Claims

**Payments**

Account Analysis

Health Care Provider Information			Your Health Savings Account	Your Lumenos Traditional Health Coverage		Your Responsibility	Explanation
Date of Service From: 01/08/2004 to 01/08/2004				Amount Paid	Amount Paid		
Service (Units)	Provider Charged	Amount Allowed by your Benefit	Amount Paid	Amount Paid	Benefit Level	You are Responsible for:	
1 SYNTHROID (30)	\$20.42	\$20.42	\$20.42	\$0.00	0%	\$0.00	
<b>Total</b>		\$20.42	\$20.42	\$20.42	\$0.00	\$0.00	

Questions & Answers

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.

See Responsibility Details below

**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.

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# Decision-Making Tools: Comparing Providers / Drugs

- User-friendly data and information
- Research more than 150 different medical conditions and procedures
- Compare hospital quality

The screenshot shows the Healthcare Advisor website. At the top, the logo reads "Healthcare Advisor™". Below the logo is a navigation bar with links: "Start | Topics | Hospitals | Physicians | Drugs | Tools & Resources | Exit". To the right of the navigation bar is a search box with a "Search" button. The main content area is divided into four green-bordered sections:

- Health Topic Areas**: A list of 20 medical conditions and systems, including Accidents and Injuries, Adolescent Health, Allergies and Asthma, Bone, Joint and Muscle, Brain and Nervous System, Cancer, Children's Health (Pediatrics), Digestive/Gastroenterology, Ear, Nose and Throat, Endocrine, Nutritional and Metabolic, Eye, Geriatric Health, Gynecology (Female Reproductive System), Heart and Circulatory System, Kidney and Urinary Tract, Maternal and Childbirth, Men's Health, Mental Health, Pain Management, Respiratory, Pulmonary and Lung, Skin/Dermatology, Transplants, and Women's Health.
- Decision Guide**: A section with a question mark icon. It contains the text: "Decision Guide Use this process to be guided through all available information for a health topic you choose."
- Hospitals**: A section with an "H" icon. It contains the text: "Find and Compare Hospitals Search for hospitals in your area. Research their experience with specific Procedures or other Types of Care."
- Physicians**: A section with a caduceus icon. It contains the text: "Find and Compare Physicians Search for Physicians in your area, and compare Physician Profiles for each."
- Drugs**: A section with an "Rx" icon. It contains three sub-sections:
  - Compare Drug Treatment Options**: "Research and compare drug treatment options for selected conditions. Compare drugs side-by-side."
  - Profile Drugs Used to Treat a Condition**: "Research drugs used to treat a number of commonly occurring conditions, from acne to ulcers."
  - Profile a Specific Drug**: "Get information about a specific drug."
  - Check Drug Interactions**: "Check the medications you are taking (or considering) for possible interactions."

# Decision-Making Tools: Local Pharmacy Prices

**Lumenos** Health Care Enlightened

My Lumenos | **Doctors Plus Directory** | My Health | My Account | My Benefits

**Search for Providers** | **Prescription Drug Costs** | Medical Cost Estimates | Extra Discounts | My Directory | Hospital Comparison | Message Center

**Prescription Price Check** Search for recent purchases at a pharmacy near you.

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.

**Drug Name:** LIPITOR  
**Dosage:** 40MG  
**Quantity:** [input field]

**Change Your Search for this Drug** | [Print Prices](#) | [Back to Search Results](#) | [New Prescription Drug Search](#)

**Dosage:** 40MG  
**ZIP Code:** [input field]  
OR  
**City State:** Dallas TX  
**Within this Distance:** 5 miles 10 miles 20 miles 30 miles 50 miles

We found 24 recent sales of this drug at a pharmacy near you. The list is sorted by lowest price paid. Click a column title to view the results differently.

Distance (Miles)	Dosage	Pharmacy	Quantity	Price	Most Recent Date of Sale
3. 08.8	40MG	SAMS PHARMACY #10-8242 12000 MCCREE RD DALLAS, TX 75238 (214) 461-8777	30	\$ 97.09	03/10/2005
4. 08.8	40MG	SAMS PHARMACY #10-8242 12000 MCCREE RD DALLAS, TX 75238 (214) 461-8777	30	\$ 100.14	02/11/2005
5. 03.3	40MG	WALGREENS #04624 1461 ROBERT B CULLUM BLVD DALLAS, TX 75210 (214) 421-0750	30	\$ 102.38	03/09/2005

SAMS PHARMACY #10-8242 12000 MCCREE RD DALLAS, TX 75238 (214) 461-8777	30	\$ 100.14
WALGREENS #04624 1461 ROBERT B CULLUM BLVD DALLAS, TX 75210 (214) 421-0750	30	\$ 102.38

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# Market & Policy Outlook

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- **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

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- **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*



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