



## **Consumer Driven Care Training Kit**

An e-learning CD-ROM from MCOL  
Positioning you for a new kind of health care

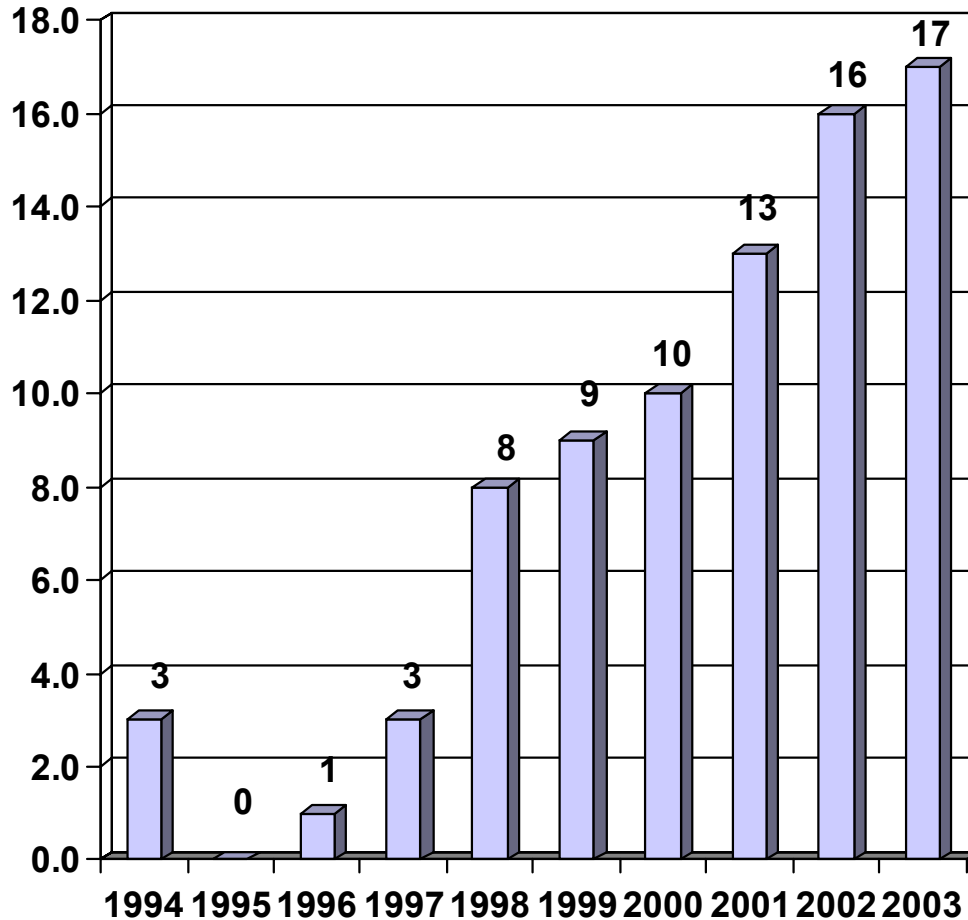
# **Market Research**

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# Premium Increases...



Milliman USA Data <sup>1</sup>

 **Premium Changes**

# Premium Increases...

- Aon Consulting estimates 2003 HMO premium increases averaged 16.4%, and PPO increases averaged 15.7% <sup>2</sup>
- Hewitt Associates estimates 2003 large employer HMO premium increases averaged 17.7% <sup>3</sup>
- Cal-Pers (California Public Employee Retirement System) HMO premium increases for 2004 will average 18% <sup>3</sup>
- Marsh Inc. estimates small employer (under 200 employees) health plan premium increases averaged 20% during 2002 <sup>3</sup>

# Premium Increases...

## Range of Premium Cost Increases: 2002 to 2003

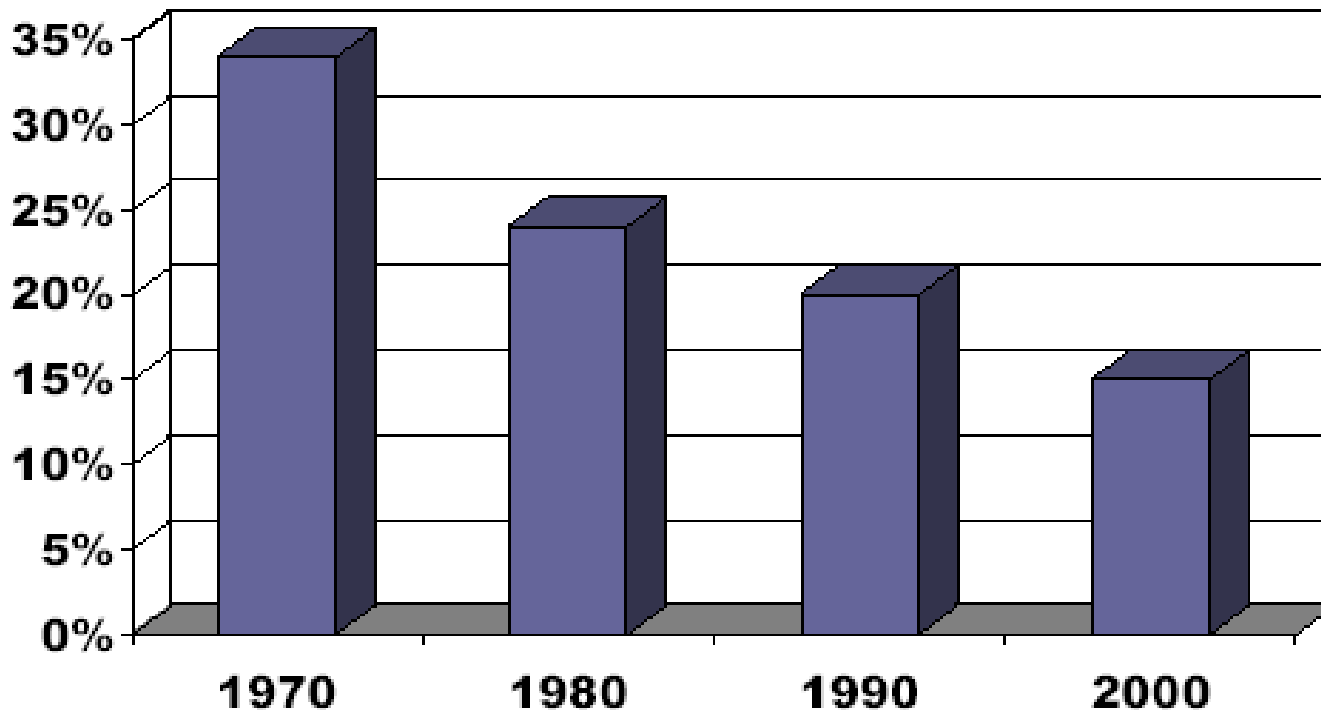
% of Employers in each range, From Deloitte and Touche Survey <sup>4</sup>

Over 20% increase	14%
16 – 20% increase	20%
11 – 15% increase	39%
6 – 10% increase	19%
Less than 5% increase	7%
Costs decreased	1%

# Cost Sharing... Decline during 1980s - 2000

**Impact due to HMO Growth with flat copays**

Health Care Out of Pocket Costs as a % of Total Expenses (EBRI Data) <sup>5</sup>





## Cost Sharing...

### Employer Changes During 2002- 2003

% of Employers in each category, From Harris Interactive Survey <sup>6</sup>

- 57% increased cost sharing requirements
- 17% reduced their scope of benefits

# Cost Sharing...

## Employer Changes for 2004 and 2005

% Employers likely to change in each category, From Harris Interactive Survey <sup>6</sup>

Increase employee premium contribution	73%
Increase dependent premium contribution	68%
Increase employee cost sharing	67%
Significantly reduce/restrict Rx benefit	35%
Increase mix of employees without benefits	30%
Decrease scope of covered benefits	29%
Cease to offer benefits for some or all	7%

# Employer Perceptions...

## Impact of Consumer Cost Sharing

% Employers Agreeing- From Harris Interactive Survey <sup>6</sup>

<b>Positive</b>	
Makes Consumers spend wisely	82%
Reduces unnecessary MD visits	78%
Reduces unnecessary Rx's	70%

<b>Negative</b>	
Consumer forgo needed care	64%
Hurts those with chronic conditions	61%
Reduces productivity	34%

# Employer Perceptions...

## Are health benefit costs under control?

% of Employers in each category, From Harris Interactive Survey <sup>6</sup>

Totally out of control	13%
Somewhat out of control	35%
Somewhat under control	46%
Completely under control	6%

# Employer Perceptions...

## Employer Interest in Consumer Driven Options

% of Employers in each category, From Deloitte and Touche Survey <sup>4</sup>

Offer a consumer plan as of Jan 2003	11%
Definitely will offer plan in 2004 or 05	8%
Reviewing and might offer plan in future	35%
Interested if/when long term data supports	32%
Not considering consumer driven plans	14%

# Employer Perceptions...

## Of Consumer Driven Plan Characteristics

% Employers Agreeing (Remainder Neutral or Disagree) From Deloitte and Touche Survey <sup>4</sup>

Change Employee Behavior	71%
Immediate Employer Cost Savings	53%
Have Complex/Confusing Plan Design	63%
Well Received by Some- Not All Employees	68%
Make Employees pay more for costly providers	76%

# Employer Perceptions...

**Will Consumer Driven plans be part of most employer plans by 2005?** From Deloitte and Touche Survey <sup>4</sup>

Strongly Agree	7%
Agree	19%
Somewhat Agree	19%
Neutral	26%
Somewhat Disagree	14%
Disagree	11%
Strongly Disagree	4%

# Consumer Perceptions...

## Employee mixed views on health care costs

% Employees Agreeing (Remainder Mixed or Disagree) - Towers Perrin Survey <sup>7</sup>

Health care costs outpace inflation	63%
Increasing costs impact employer profits	46%
My employer can't absorb full cost increase	46%
It's fair to pass along some increases to employees	41%

# Consumer Perceptions...

## Employee awareness of Consumer Driven Plans

% Employees Currently not in Consumer Driven Plan Answering Yes <sup>8</sup>

Aware of consumer driven health plans	15%
After explanation: are you interested in plan	47%
Willing to manage your own health benefits	60%

# Consumer Perceptions...

## Most desired benefit enhancements

% Employees Ranking item as high priority - Hewitt Associates Survey<sup>9</sup>

Options that let employees reduce costs	67%
Access to experts for medical advise	63%
Access to advocates to resolve plan disputes	61%
Access to Internet data on medical treatments	49%
Wider choice of health plans	35%

# Consumer Perceptions...

## Most helpful employer health communication tools

% Employees Ranking item in top 3 responses - Towers Perrin Survey <sup>7</sup>

Health related web sites	73%
800 Ask a nurse phone services	62%
Printed booklets / brochures	56%
Targeted items on specific medical conditions	45%
Newsletters	35%
Meetings	14%

# Consumer Perceptions...

## Interest in More Health Care Information

% Consumers Desiring Additional Information - Dieringer / Pareto Survey <sup>10</sup>

- 69% want health care cost data
- 65% want hospital quality data
- 57% want physician quality data



# Consumer Perceptions...

## Health Care Information and Use Gap

Cigna Healthcare consumer survey <sup>11</sup>

- 92% of Americans want to be more informed health consumers
- More than 33% lack the health care information or understanding they desire
- Only 28% use the Internet to prepare for physician visits

# Consumer Perceptions...

## **% Enrollee Use of Consumer Driven Internet Tools**

Carlson School of Management Study of Consumer Driven enrollees <sup>12</sup>

Spending Account Manager	76%
Provider Directory	80%
Disease Management	22%
Rx Pricing	33%

# Consumer Perceptions...

## Plan Features Most Preferred

Carlson School of Management Study of Consumer Driven enrolles <sup>12</sup>

Type of Enrollee:	Cons Driven	HMO/Other
My doctor participates in plan	76%	63%
No referral authorizations	50%	33%
Covers preventive care	46%	52%
National provider panel	37%	20%
Spending account rolls over	30%	19%
Small Out of Pocket	16%	36%

# Projections...

## 2004 Segal Health Plan Cost Trend Survey <sup>13</sup>

Projected 2004 premium increases:

HMOs (no rx)	12.5%
PPOs (no rx)	13.5%
High Deductible PPOs (no rx)	13.9%
Rx Benefit (not mail order)	18.2%



## Projections...

### Milliman USA Intercompany Rate Survey <sup>14</sup>

Projected 2004 premium increases:

- 14% projected HMO premium rate increases for 2004, a 3 point drop from 2003 increases
- 2004 will be fifth year in a row of double digit increases
- 85% of HMOs expect increases exceeding 10%

# Projections...

## Consumer Driven Plan Savings Projections

From employers with 2003 plans From Deloitte and Touche Survey <sup>4</sup>

Projecting > 5% Savings	46%
Projecting Savings < 5%	21%
Projecting Plan is Cost Neutral	32%
Projecting Plan will cost more	0%

# Projections...

## **Consumer Driven Health Plan Market Share** <sup>15</sup>

Forrester Research Estimates:

- 2002-2003 Consumer Driven health plan market share is less than 1%
- 2% of the market by 2005 - 2.7 million members and \$16 billion in premiums
- Consumer Driven health plan market share will grow to 24% in 2010

# Projections...

## Consumer Driven Health Plan Estimates <sup>16</sup>

- End of 2003 Consumer Driven Health Plan enrollment will be between 400,000 (Watson Wyatt) and 500,000 (Buck Consultants)
- Above enrollment does not include Defined Contribution arrangements without spending/saving account features
- Consumer Driven health plan market share will grow to 20% in 2006 (Hewitt Associates)

## Notes

- <sup>1</sup> Graph prepared by Steve Cigch, Milliman USA, source: 2002 HMO Intercompany Rate Survey; Milliman USA, [www.milliman.com](http://www.milliman.com)
- <sup>2</sup> AON Consulting Spring 2003 Health Care Trend Survey Released May 2003.  
[www.aon.com](http://www.aon.com)
- <sup>3</sup> As reported in Employee Benefit News, September 1, 2003 “HMO Rate surge hits hard at small employers” by Craig Gunsauly. [www.benefitnews.com](http://www.benefitnews.com)
- <sup>4</sup> 2003 Consumer Driven Health Care Survey, Deloitte and Touche. Released April, 2003, [www.deloitte.com](http://www.deloitte.com)
- <sup>5</sup> Data from EBRI Brief #247, released July 2002, [www.ebri.com](http://www.ebri.com)
- <sup>6</sup> “Trends and Analysis: Health Benefit Costs: Employers Share the Pain“ released August 2003, Harris Interactive Survey commissioned by the California Health Care Foundation [www.chcf.org](http://www.chcf.org)

## Notes

- <sup>7</sup> "Keeping Employees Engaged About Health Care" Towers Perrin Survey released April 2003, [www.towersperrin.com](http://www.towersperrin.com).
- <sup>8</sup> "Consumer Directed Health Care": The View From Both Sides of the Fence" Employee Benefit Plan Review, v57 no12 pp12-13 June 2003
- <sup>9</sup> Consumer Survey, Hewitt Associates. Released February 25, 2002, [www.hewitt.com](http://www.hewitt.com)
- <sup>10</sup> 2003 Consumer Directed Health Care Survey, Dieringer Research Group and the Pareto Health Group . Released July, 2003, [www.thedrg.com](http://www.thedrg.com)
- <sup>11</sup> 2003 Cigna Healthcare Survey, as reported in "Creating the New Health Consumer" by Ed Rabinowitz, HealthPlan Magazine, August 2003, [www.aahp.org](http://www.aahp.org)
- <sup>12</sup> "Early Experience of Employees with a Consumer Driven Health Plan"" by Parente, Christianson and Feldman, Carlson School of Management, University of Minnesota, study of Definity Plan enrollees in open enrollment environment, released June 2003.

## Notes

- <sup>13</sup> Preliminary Findings from the 2004 Segal Health Plan Cost Trend Survey. Released September 2003. [www.segalco.com](http://www.segalco.com)
- <sup>14</sup> Milliman USA 2003 Intercompany Rate Survey Press Release, issued July 21, 2003, [www.milliman.com](http://www.milliman.com)
- <sup>15</sup> Forrester Research projections reported in article "CDHPs expected to steal market share in coming years", BenefitNews Connect, August 14, 2003 . [www.benefitnews.com](http://www.benefitnews.com), and in Cincinnati Business Courier: [cincinnati.bizjournals.com/cincinnati/stories/2003/08/11/story1.html](http://cincinnati.bizjournals.com/cincinnati/stories/2003/08/11/story1.html)
- <sup>16</sup> "References cited in issues of "Consumer Choice Matters", 2003, by Greg Scandlen [www.galen.org](http://www.galen.org)