E
mployers today are grappling with a host of health care-related issues, not the least of which is the rising cost of providing health care benefits for their employees. To solve the problem, some employers are turning to consumer-driven health plans, which put at least some of the risk and cost in the hands of those consumers who are dealing with issues like chronic diseases and epidemics like obesity.

With 95 percent of American medicine focused on treatment and only 5 percent on prevention, the movement to consumer-driven health care has been slow.

“Up to 70 percent of all health care costs are related to chronic diseases, most of which are preventable with proper lifestyle choices and behaviors,” says Scott Lammie, senior vice president and CFO at UPMC Insurance Services Division in Pittsburgh. “It’s all about bringing together our members with their providers, employers and health plans to drive positive behavior change.”

Smart Business spoke with Lammie about trends in consumer-driven health plans, how to tell if a high-deductible plan will work for your business and the risks associated with such plans.

What trends are we seeing in consumer-driven health plans right now?

Recent reports indicate that approximately 3 million individuals nationally have signed up for one of these plans over the past two years. Consumer-driven health plans are more than just HSAs (Health Savings Accounts) and HRAs (Health Reimbursement Accounts), they’re also the high-deductible plans that wrap around those two vehicles.

The average price to employers is generally 20 percent to 40 percent lower than the price of traditional comprehensive plans. Employer savings are dependent upon the purchased benefit, including employee deductible levels and employer HRA/HSA contribution levels.

What do you see as the key benefits of these consumer-driven plans?

Given the high percentage of health care costs related to chronic diseases that are preventable, environmentally-based and related to lifestyle decisions and behavior, the idea of consumer-driven health care involves providing information on the cost and quality of health care to help drive behavior change on the part of the individual. Most people are unaware of the cost of the care they receive, since many services are covered in full or with a minimum co-pay. In addition, they are often not aware of how their lifestyle contributes to high cost conditions.

How can a business owner tell if a high-deductible plan is right for employees?

The employer’s goal should be to engage the employee and his or her family members in healthy lifestyle choices. HSAs and HRAs are tools that are available to employers and their employees to help facilitate some aspects of changing behavior, but an HSA isn’t going to cure diabetes.

These vehicles also must be augmented with high-deductible plans, which may be appropriate for employers who may not otherwise be able to offer insurance to their employees, and for individuals who wouldn’t otherwise be able to afford to pay the premiums for employer-provided coverage.

The latter can secure this basic level of coverage, which is much better than no coverage at all.

Should employers offer a choice of plans?

Across the industry, roughly 70 percent of all health care costs are incurred by 30 percent of the members, which means 70 percent of the typical work force will be relatively healthy and will not incur significant health care costs in a given year.

When an employer offers a choice of plans, healthy employees will normally sign up for the high-deductible plans at lower employee out-of-pocket premiums. This means there will be a much lower premium base, previously funded by healthier employees, available within the traditional plan which still needs to fully fund the cost for the 30 percent of members who consume the majority of health care costs.

As a result, employers wind up with adverse selection and altered risk pools among their multiple plans. An employer with 100 employees, for example, also might contribute $1,000 to fund an HSA account for each employee, of which $70,000 is funded for the benefit of its 70 healthy employees.

Such funding is then no longer available to cover the current year health care costs for 30 employees consuming the majority of care. For these reasons, many employers are electing to only offer a suite of high-deductible plans for their employees.

What cost savings or other benefits can an employer expect from a consumer-driven plan?

Over time, as employee incentives and rewards are built into the program, employees will begin taking charge of their own lifestyle behavior, enrolling themselves in care management programs, and paying more attention to physical fitness programs, nutrition and diet. The anecdotal evidence is pretty clear that many of these health risk conditions could at least stabilize — if not reverse — over time.

That leads to one of the best benefits for employers: a healthier, more productive work force. SCOTT LAMMIE is senior vice president and CFO at UPMC Insurance Services Division. Reach him at (412) 454-7646 or lammiesm@upmc.edu.