

Mythbusters:

The Facts Are in About Consumer-Driven Health Plans

by **William J. Reindl**

Do consumer-driven health (CDH) plans have the potential to help create a more affordable, sustainable (i.e., multiyear), high-quality health care system? Or do they merely shift costs and cause individuals to forgo care? For the past four years, CIGNA has compared actual claims data of individuals covered in its CDH plans with those of its traditional health maintenance organization (HMO) and preferred provider organization (PPO) plans, among the same employers. The results consistently show that properly designed CDH plans deliver lower medical and pharmacy costs without sacrificing care or shifting costs. And CDH plans, if designed properly, increase preventive care and, on average, individuals tend to receive a higher level of care while costs are reduced. If health care reform goals are to be achieved, well-designed CDH plans should play a significant role.

ARE CDH PLANS THE CURE FOR THE HEALTH CARE QUALITY AND COST CONUNDRUM?

This fall, America is engaged in a debate to determine the future of health care and the role of health insurance.

Lost in the middle of this debate are consumer-driven health (CDH) plans. During the past several years, CDH plans have demonstrated they can help create a more affordable, sustainable, high-quality—and healthier—health care system.

Yet many continue not to see the value of CDH plans through the fog of misperceptions such as: “CDH plans don’t reduce costs, they merely shift them,” “These plans are only for the youngest, healthiest and richest”—and worst of all—“CDH plans are forcing individuals to forgo needed care.”

These misperceptions have led some to the equally wrong-headed conclusion: “With national

health care reform, CDH plans will become unnecessary.”

As the United States debates the future of health care and health insurance, it is vitally important to dispel the fog of misinformation and examine the facts.

During the past four years, CIGNA has analyzed and compared the actual claims paid by a total of one million people covered by its CDH and traditional preferred provider organization (PPO) and health maintenance organization (HMO) plans.

Year in and year out, this analysis has shown consistently that CDH plans save money on a sustained basis for employers and employees, regardless of the health of the individual and without compromising care.

CIGNA’s most recent study, released in January 2009, compiled and analyzed two years’ worth of health care claims experience of 440,000 people enrolled in CIGNA CDH and traditional HMO and

PPO plans. It exploded the common myths about CDH plans.¹

MYTHBUSTERS: THE FACTS ARE IN

The first myth is that a CDH plan does not reduce costs but rather shifts them, and cost savings are not sustained. CIGNA found that in the first year, normalized medical trend for CIGNA CDH plans was -3.3% vs. 10.6% for traditional plans—almost a 14% difference, as shown in Figure 1. Again, this analysis compares individuals that are in different types of CIGNA plans with the same employer. The study also showed that lower medical trend for CDH plans continues in subsequent years.

Similarly, the study debunked a second common myth that CDH plans “cherry pick” the youngest, healthiest and richest while forcing managed care plans to charge more to cover the sickest patients.

The data show that CDH enrollment covers the spectrum of healthy to chronically ill. CIGNA observed CDH plan savings for all health status categories, with greater savings for less healthy individuals.

Notably, CIGNA looked specifically at the experience of those with two common chronic conditions: hypertension or diabetes. As shown in Figure 2, of the 22,000 individuals in the study that have either hypertension or diabetes, the medical cost trend was substantially less for CIGNA CDH plan customers with diabetes (20% less) or hypertension (18% less) than for individuals with either of those diseases in traditional CIGNA health plans.

Moreover, these individuals maintained similar treatment regimens regardless of whether they were covered by CDH, HMO or PPO plans, suggesting that the lower cost trend is a result of better chronic disease management, rather than patients forgoing recommended care.

The third key myth is that CDH plans are causing individuals to forgo needed care. CIGNA’s data effectively dispel this allegation with multiple years of evidence consistently showing that those in CDH plans receive the same or better care than their counterparts covered in PPO and HMO plans.

For a fourth year in a row, the study (see Figure 3) showed those in CDH plans continued to receive recommended care at the same or higher levels as those enrolled in traditional plans in an evaluation of compliance with more than 300 evidence-based measures of health care quality (for example, women having a mammogram in the past 24 months or diabetes patients having a physician visit in the last six months).

Notably, using nationally recommended evidence-based standards of care—the care measures proven

FIGURE 1
CIGNA CHOICE FUND EXPERIENCE STUDY, JANUARY 2009

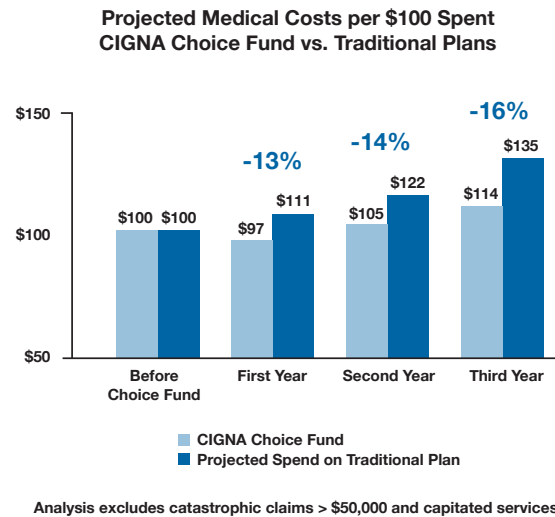
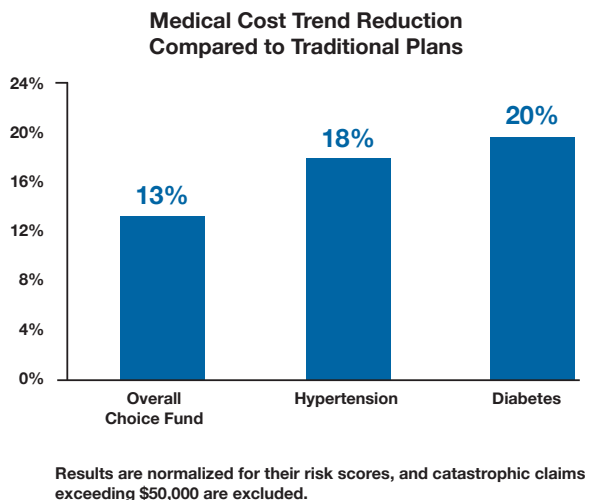


FIGURE 2
CIGNA CHOICE FUND EXPERIENCE STUDY, JANUARY 2009



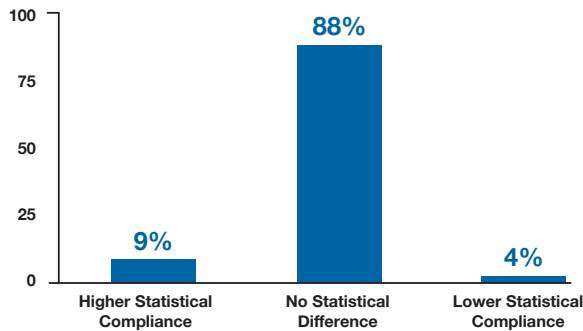
to work best—improves costs. These cost savings amount to approximately \$355 per person insured per year, including \$149 in direct medical costs and \$206 in indirect productivity savings.²

Not only does the data show that CDH plans save money without compromising care, but there is mounting evidence that suggests people in these pro-

FIGURE 3

CIGNA CHOICE FUND EXPERIENCE STUDY, JANUARY 2009

Medical Best Practice Measure Comparison
CIGNA Choice Fund* vs. Traditional Plans



*New Choice Fund individuals in 2007
Total is greater than 100% due to rounding.

grams are increasingly engaged and smarter about their health care.

For example, the study shows that those covered in CDH plans were more likely to utilize preventive services—such as annual checkups, and breast and colon cancer screenings.

First-year preventive care utilization was 8% greater among those in CDH plans compared to traditional plans, and second-year CIGNA CDH plan preventive care utilization was 15% greater when compared to traditional plans. (See Figure 4.)

Compliance and cost savings were also evident in the pharmacy component of CDH plans. As shown in Figure 5, pharmacy cost trend for those newly enrolled in CIGNA CDH plans was 10% less than for those enrolled in traditional plans. When compared with the prior year, usage was higher for new CIGNA CDH plan individuals and average unit cost trend was less for maintenance medications, suggesting that these individuals were compliant with medications while exercising lower-cost options such as purchasing medications by mail order and electing to use generic medications.

Generic usage was nearly 5% higher for those covered by CDH plans.

Recently, the American Academy of Actuaries has reviewed CIGNA's CDH study, validated the data and methodology, and released a report, *Emerging Data on Consumer-Driven Health Plans*,³ that confirms the company's findings as well as similar results from other CDH plans.

Given the empirical data that demonstrate that

CDH plans can and do perform as advertised, why do these myths persist?

One possible answer is that these myths are a product of surveys that focus on the perceptions of those being surveyed—rather than actual claims experience. Often the methodology is flawed—questions may be leading or sample groups may be statistically unsound—which can result in spurious conclusions.

Another school of thought is that effective plan design plays a significant role in individuals' perceptions about CDH plans. Plenty of CDH plans are designed to reduce the employer's cost solely by shifting costs to the employee. Understandably, employees are reluctant to enroll in these plans, so they do not produce sustained savings, and enrollees' low satisfaction rates are the source of some of the aforementioned myths.

CDH PLAN KEYS TO IMPROVING HEALTH AND COSTS

Conversely, a key element of CDH plan design that has been demonstrated to reduce costs without compromising care is to offer a *benefit-neutral* plan—one that offers benefit levels that are comparable to previous traditional plans. For example, if a traditional PPO has a \$500 deductible, an employer can offer a CDH with a \$1,500 deductible offset with a \$1,000 health savings or health reimbursement account.

This approach has been proven to reduce costs year over year without shifting costs to individuals and offers true value to prospective enrollees.

Another key component for a successful CDH plan is online decision support tools that enable individuals to determine the best sources of quality health care at the appropriate price.

Just a few years ago, medical cost and quality information was entirely opaque. Today, individuals can look online to see an entire episode of care for their illness or injury, starting with qualified medical information about their illness and treatment options, probabilities of certain treatments, listings of the best local doctors and hospitals specializing in the specific treatments, cost ranges by specialist or facility, and even cost comparisons of medications.

CIGNA's own experience is that those enrolled in CDH plans are nearly twice as likely to register to use myCIGNA.com's online health care quality, cost and health improvement resources.

Provided with quality and cost information, individuals may identify specialists and hospitals qualifying for the CIGNA Care Network®, a performance-

based program for health care professionals that meet CIGNA and third-party quality measures.⁴ This program maximizes cost savings while maintaining high quality. On average, those who select CIGNA Care Network health care professionals may experience

- 34% fewer hospital deaths
- 39% fewer hospital complications
- 47% lower hospital costs.

By using CIGNA's quality and cost information to choose a specialist, they experience

- 4% to 5% improvement in clinical quality indicators
- 29% reduction in hospital readmissions
- 8% to 12% lower total medical costs.⁵

Well-designed CDH plans provide 100% coverage of preventive health services, including routine checkups, breast and colon cancer screenings, critical diabetic care and child immunizations. Not only can these services be critical for early detection of potential health issues, they have shown to improve the individual's overall health and plan satisfaction.

Similarly, effective CDH plans feature health coaching, providing telephone outreach from specially trained health advisors that help individuals navigate the health care system, understand how their lifestyle choices can affect their overall health, and access information about cost and quality. This program includes outreach to individuals whose health risk assessment indicates that they may be at risk.

When these design features are present and effectively communicated, individuals are more likely to enroll in these plans.

CDH PLANS AND HEALTH CARE REFORM

As we looked forward to the debate in fall 2009 over health care reform, one question was: What role will CDH plans have in the future health care landscape?

Mindful of financial guru Warren Buffett's warning, "He who lives by the crystal ball soon learns to eat ground glass," here's the author's prediction.

There are universally accepted goals of making quality care affordable and accessible, promoting improved health and, in doing so, controlling the rising cost of care.

CDH plans are all about affordability and quality, which are the keys to expanding access, improving health and reducing cost.

CIGNA's annual studies of claims experience have consistently shown that customers switching to CDH

FIGURE 4
CIGNA CHOICE FUND EXPERIENCE STUDY, JANUARY 2009

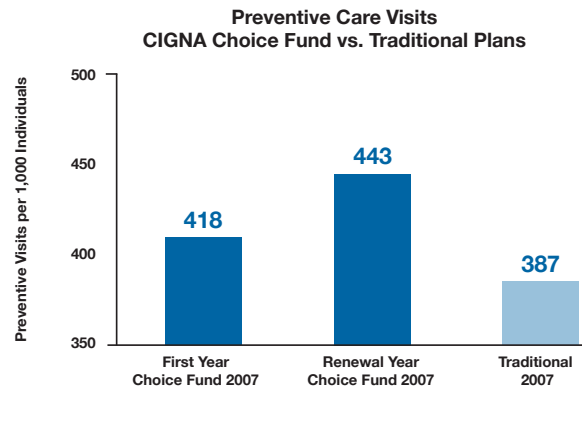
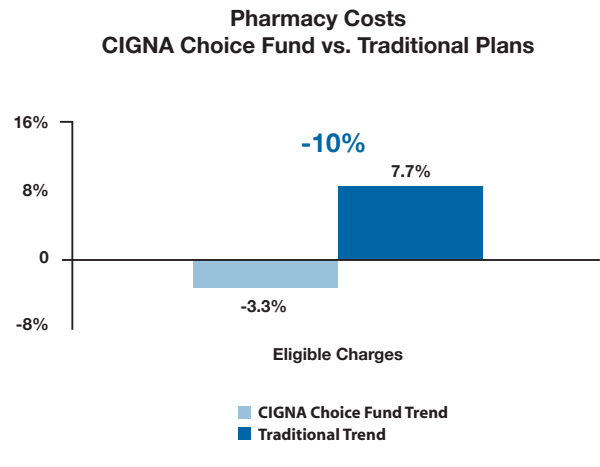


FIGURE 5
CIGNA CHOICE FUND EXPERIENCE STUDY, JANUARY 2009



plans achieve double-digit percentage reductions in total medical cost trend, without sacrificing care. And the cost savings continue in subsequent years.

There is also mounting evidence that people in CDH plans are more engaged and smarter about managing their health, and in fact have demanded cost and quality transparency information so that they can be better managers of their own health and health finances. CDH plans will continue to spawn this type of value-oriented behavior and subsequent innovation, which is key to long-term cost reduction and quality improvement.

If health care reform goals are to be achieved, well-designed CDH plans—those that are benefit-

neutral to the individual and reduce costs, not shift costs—should play a significant role. ◀

Endnotes

1. CIGNA Choice Fund Experience Study January 2009; http://newsroom.cigna.com/images/56/825638_ChoiceFund_Study.pdf.

2. Based on CIGNA Quality Value Model results. The *Quality Value Model* is a mathematical model that quantifies the estimated savings that result from compliance with 27 of the measures of clinical effectiveness examined by the National Committee for Quality Assurance (NCQA). In calculating savings, the model estimates direct medical costs and indirect costs of lost productivity avoided because an individual received appropriate care, and compares them to the cost to comply with the measure, such as the cost of an office visit and/or certain tests or procedures.

3. American Academy of Actuaries, *Emerging Data on Consumer-Driven Health Plans*, May 2009; www.actuary.org/pdf/health/cdhp_may09.pdf.

4. CIGNA Care Network quality measures, www.cigna.com/health/provider/medical/CIGNACare.html.

5. Based on internal CIGNA Care Network analysis.

▶ THE AUTHOR

William J. Reindl is senior vice president of the consumer segment at CIGNA. He joined CIGNA in early 2005 after 4½ years with Definity Health, the organization that created consumer-directed health (CDH) care. He has been at the forefront of the consumer movement since it began and is considered one of its thought leaders. At CIGNA, Reindl is responsible for driving consumer strategy throughout the middle market and small business segments. He is also a member of both the consumer innovation strategy and leadership teams, which determine the organization's business direction, resource allocation, investment and service delivery for its integrated consumer-focused programs.

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