# What Does It Mean to be "Insured"?

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UMBC
The Changing Health Insurance Market

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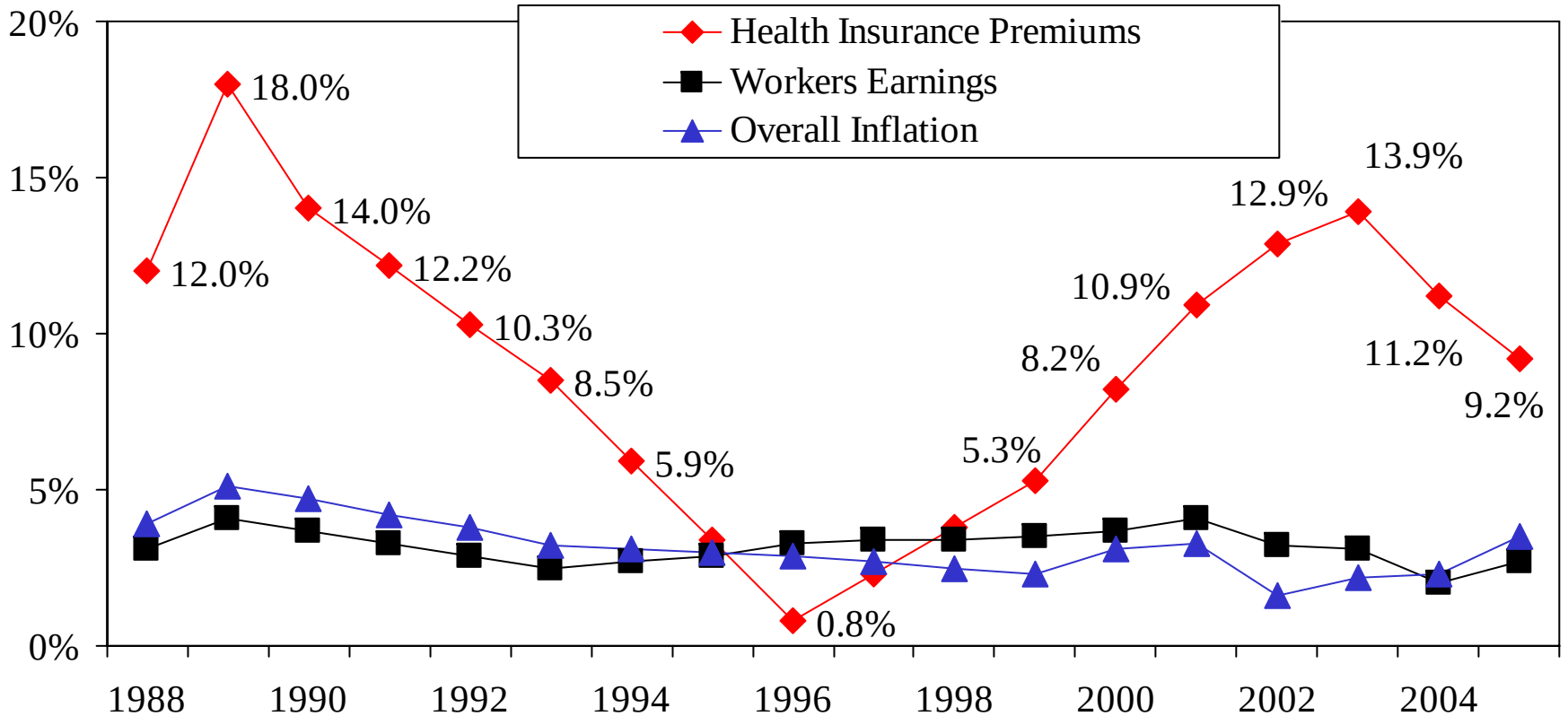
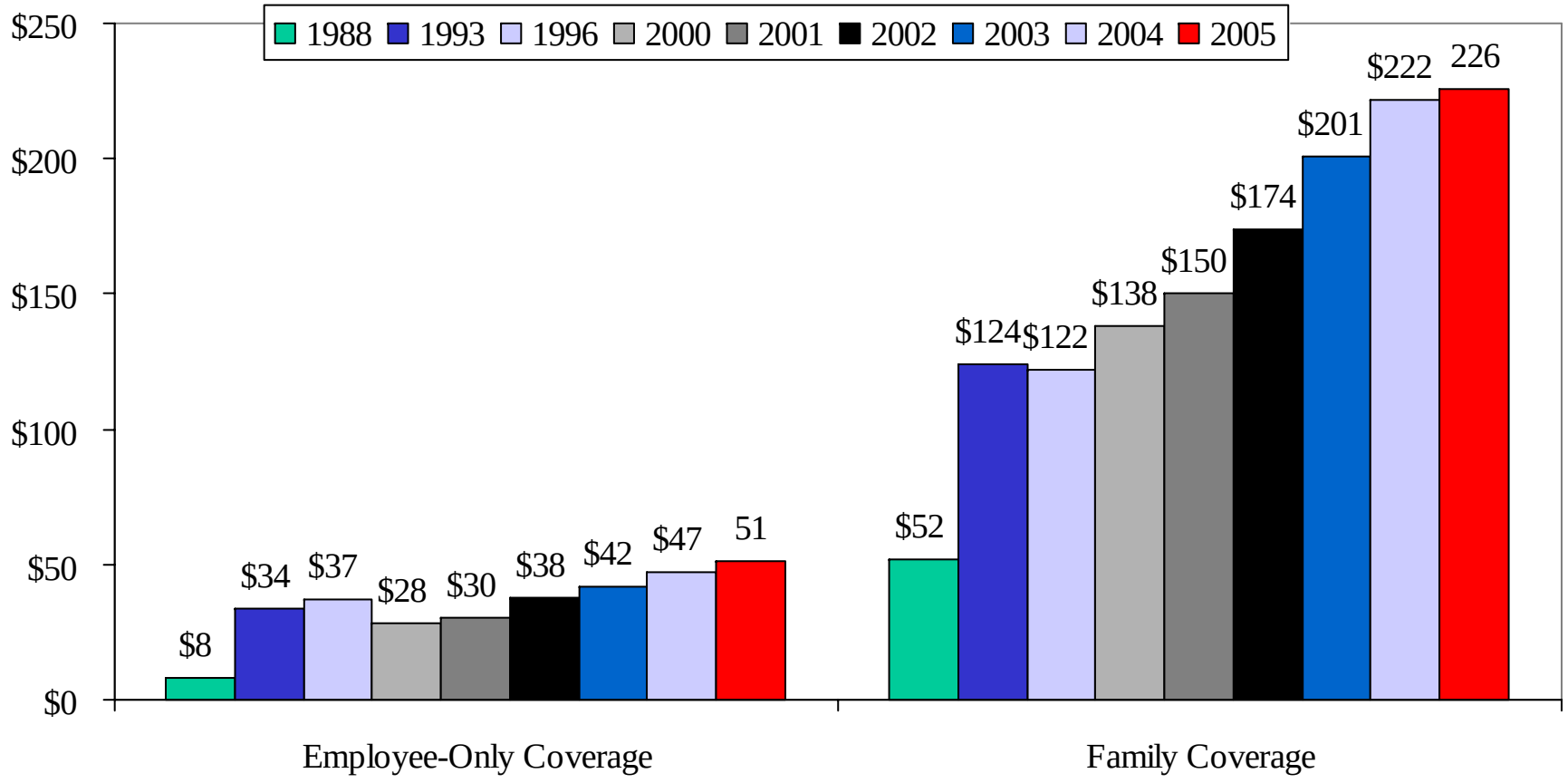
# Premiums Rising 4-5 Times Faster than Inflation and Wages, 1988-2005



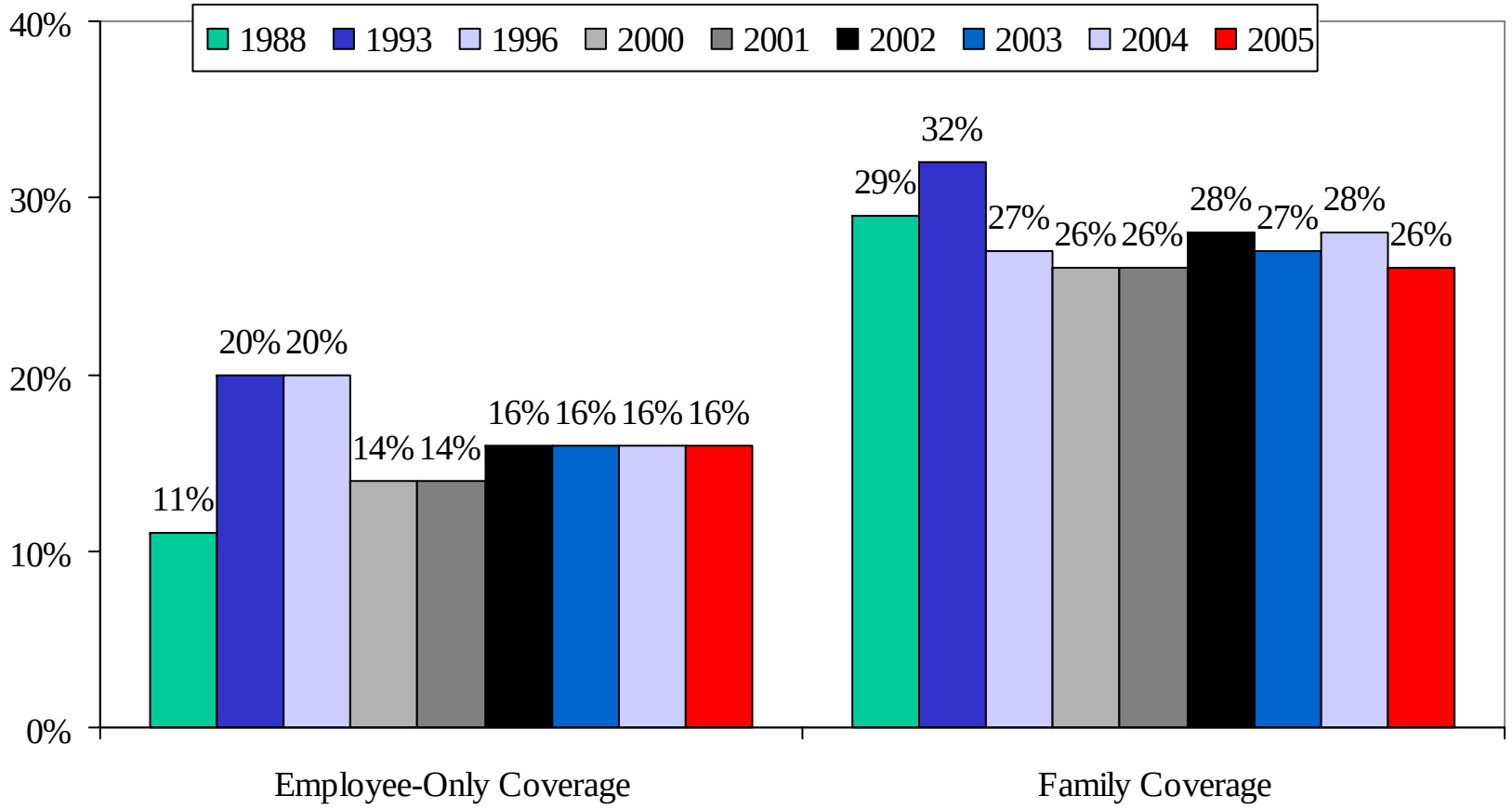

Source: KFF/HRET and Bureau of Labor Statistics.

# Average Worker Monthly Contribution, 1988-2005




Source: KFF/HRET.

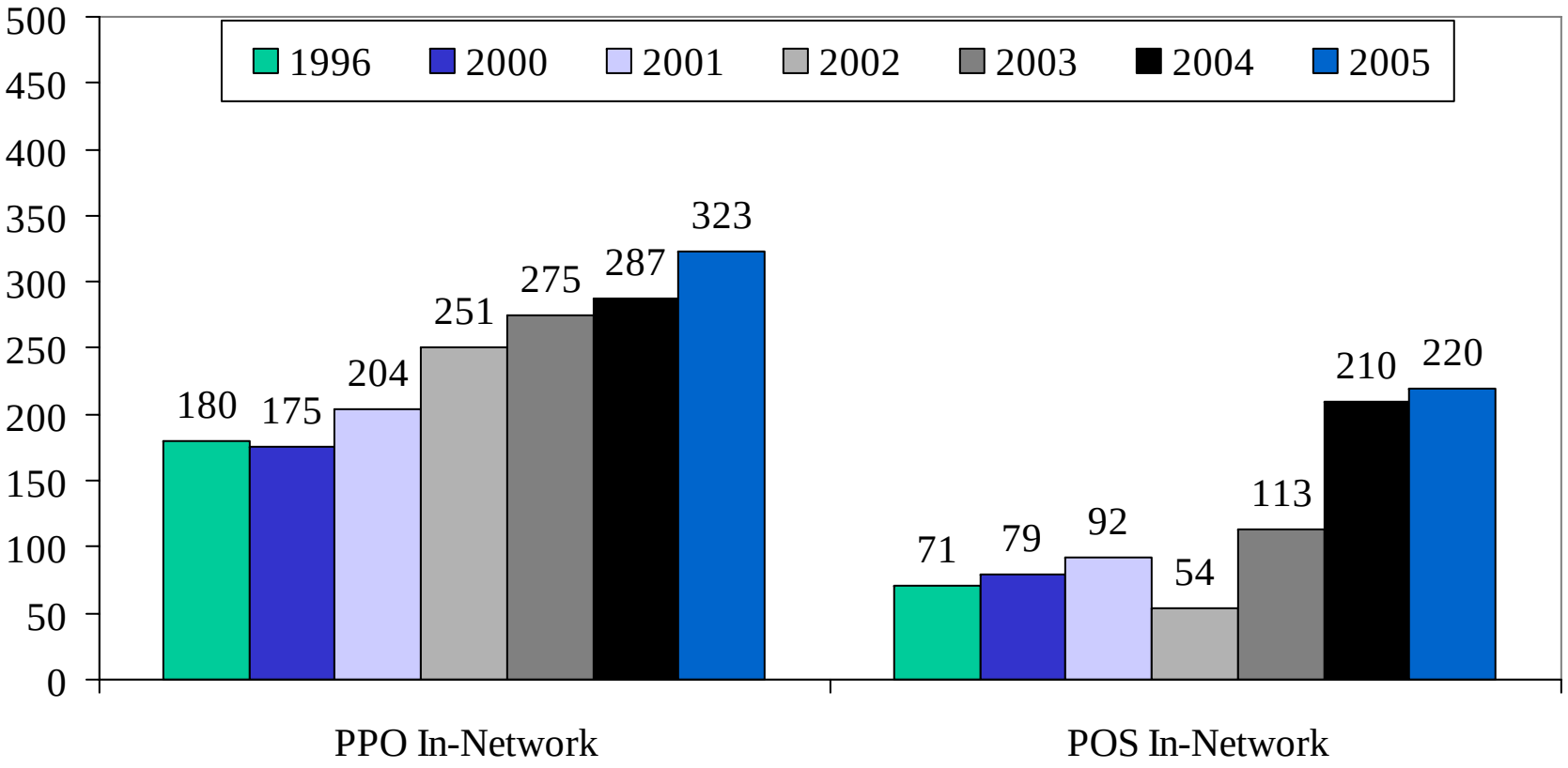
# Percentage of Premium Paid by Covered Workers, 1988-2005




Source: KFF/HRET.

# Average Annual Deductibles for Employee-Only Coverage, 1996-2005

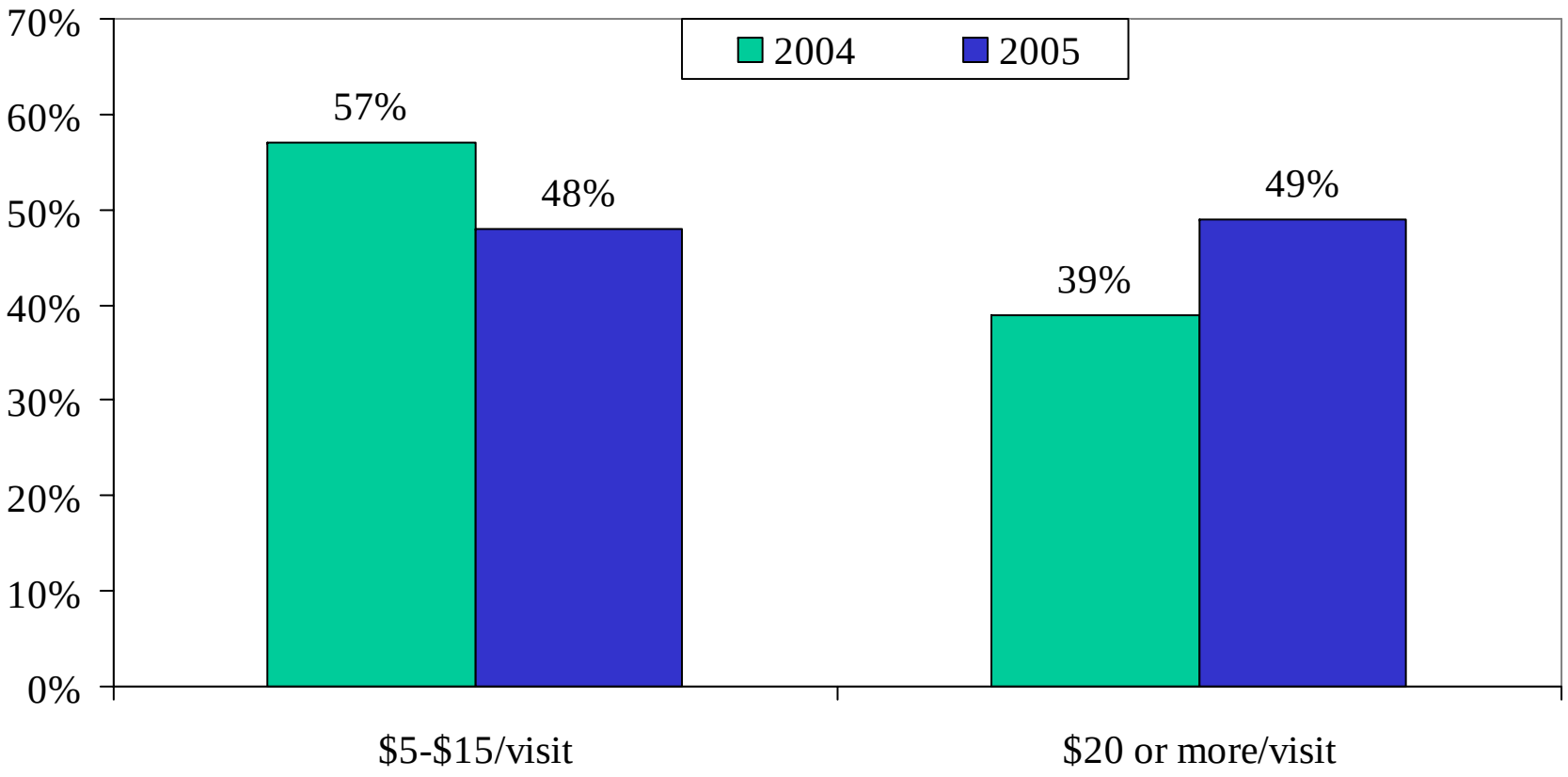
(Among Covered Workers With or Without a Deductible)




Source: KFF/HRET.

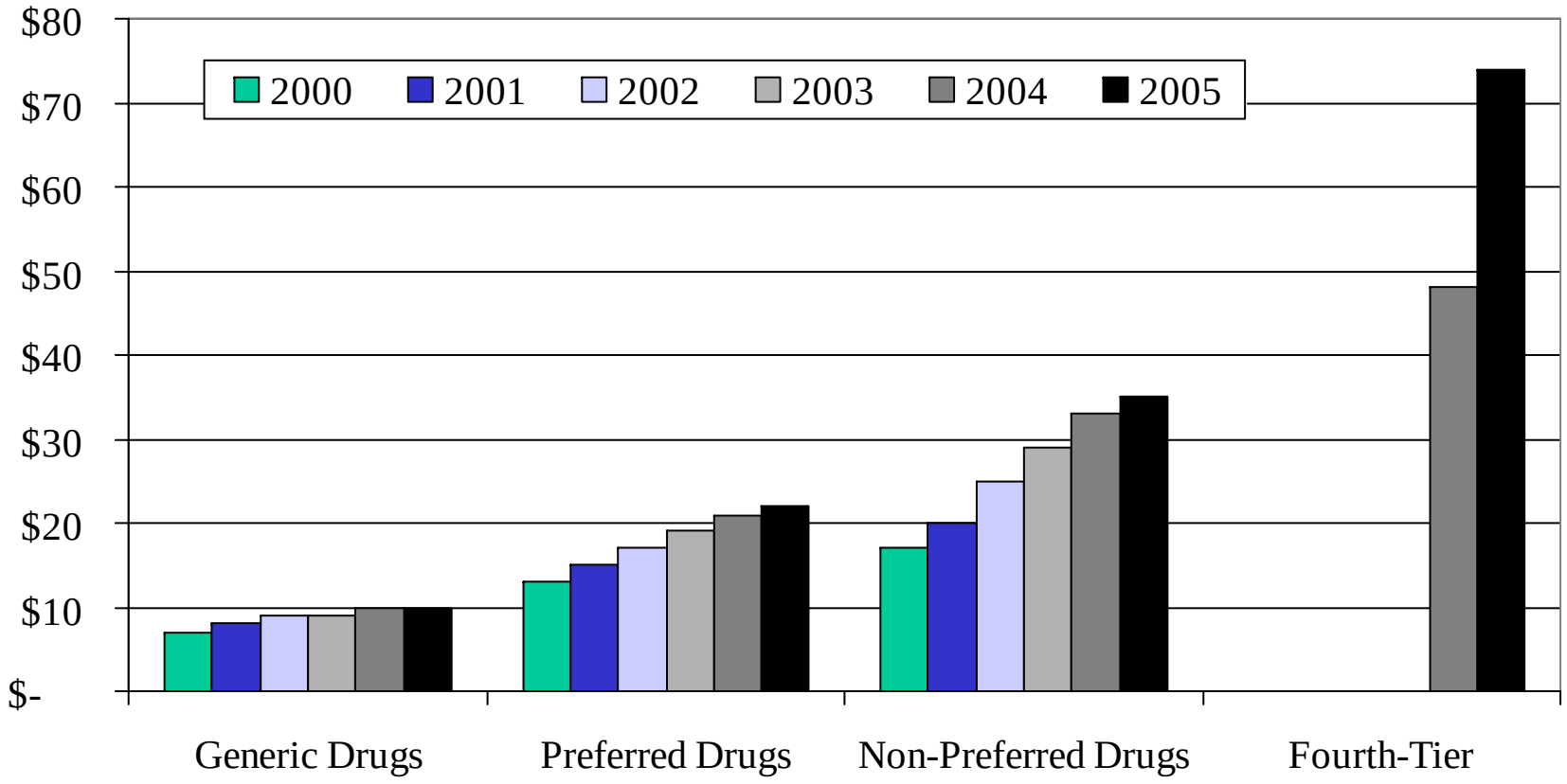
# Physician Office Visit Co-Payments, 2004-2005

(Among Covered Workers With a Co-payment)




Source: KFF/HRET.

# Average Co-Pay for Drugs, 2000-2005




Source: KFF/HRET.

# Drug Plan Incentives for PPO, Firms with 1,000 or More Employees, 1998 & 2003

| Generic Incentive | 1998 | 2003 |
|---|---|---|
| Lower co-payment | 45% | 69% |
| No deductible | 1% | <1% |
| Higher coinsurance | 10% | 6% |
| Pay difference between generic & brand name | 6% | 10% |

Source: Hewitt Associates.

# Drug Plan Incentives for PPO, Firms with 1,000 or More Employees, 1998 & 2003

| Mail Order Incentive | 1998 | 2003 |
|---|---|---|
| Lower co-payment | 31% | 67% |
| No deductible | 12% | 8% |
| Higher coinsurance | 21% | 14% |

Source: Hewitt Associates.

# Drug Plan Incentives for PPO, Firms with 1,000 or More Employees, 1998 & 2003

| Combination of Generic and Mail Order Incentive | 1998 | 2003 |
|---|---|---|
| Lower co-payment | 32% | 78% |
| Higher coinsurance | 1% | 1% |
| Pay difference between generic & brand name | 2% | 6% |
| No Generic or Mail Order Incentive | 22% | 6% |

Source: Hewitt Associates.

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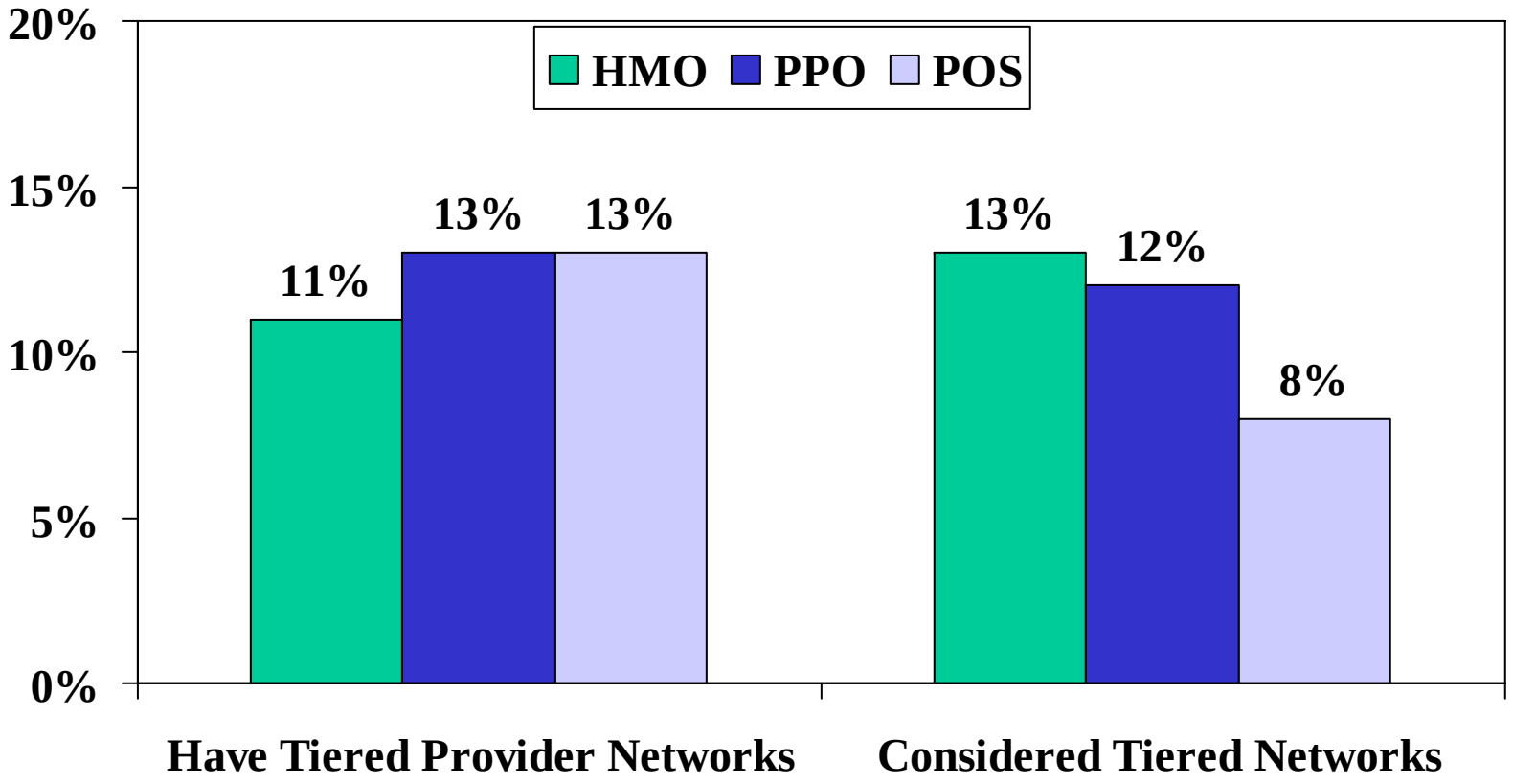
# Tiered Provider Networks (TPNs)

- Hospitals & doctors.
- Tiers vary with cost & quality.
  - Similar to PPO (in vs. out)
  - Similar to Rx tiers.
- Cost sharing distinctions
  - Co-payment per hospital day.
  - Coinsurance rate per stay.
  - Overall deductible per stay.

# Use of Tiered Physician or Hospital Networks, 2005




Source: KFF/HRET.

# Consumerism: Potentials & Concerns

*Potentials*

- Lower costs
  - Reduction in use
  - Use of lower cost services
- Better engaged consumer
- More satisfied consumer
- Better health outcomes/more appropriate care
- Improve affordability

*Concerns*

- Low health literacy
  - Reduce necessary care
  - Induce demand for unnecessary care
- Lack of tools & resources to make decisions
- Impact on high cost users uncertain
- One-time savings

# Evidence So Far

## Full Replacement HRA Study (McKinsey & Company, 2005)

- CDHP consumers are more engaged than "traditionally insured" in decision making
- Make decisions that *may* drive sustained decline in trend
  - Forego less serious care
  - Shop for most cost effective care when they can
  - Take greater responsibility for health and wellness
- Seek information to compare treatments, not providers
- Are no more likely than employees in traditional plans to seek quality info
- Are less satisfied than with previous plans

# Evidence So Far

## Aetna Study: Medical Claims

2003: 3.7% YOY Increase

*Change in utilization*

- Inpatient -5.2%
- ER Visits -2.6%
- Outpatient -14.4%
- Office visits -3.3%
  - PCP -10.9%
  - Specialist +3.4%

2004: 6% YOY Increase

*Change in utilization*

- Inpatient -6.7%
- ER Visits -15.9%
- Outpatient -4.6%
- Office visits -3.4%
  - PCP -12.3%
  - Specialist +3.6%

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# Evidence So Far

## Aetna Study: Pharmacy

- Overall Cost Increase
  - CDHP +13%
  - PPO +18%
- Generic Use
  - CDHP +2.1%
  - PPO +1.3%
- Mail Order
  - CDHP +3.5%
  - PPO +1.7%

# CIGNA Choice Fund Study
# Key Findings

- Eight percent decrease in total medical (non-pharmacy) costs
- Increase in medications that support chronic conditions
- Eight percent increase in medication supply
- Decrease in inpatient and outpatient costs
- Increase in inpatient admits

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# Evidence So Far

- Risk Selection
  - Humana data studied by Kaiser: based on prior use and prior claims, HDHP enrollees usage was 50-60% below those not choosing HDHP
  - U. of Oregon study: selectivity related to education, income, health status
- Cost savings actions
  - U. of Oregon study: only difference related to generic drug substitution
- BCBSA Study

# EBRI/Commonwealth Fund Consumerism in Health Care Survey

- Among adults with plans, lower satisfaction with quality of care, out-of-pocket costs, plan overall; few would recommend plan to friends/co-workers
- High out-of-pocket costs + premiums amount to substantial share of income, especially among those with lower income and health problems
- No differences in service use, but higher reported rates of cost-related delays, avoidance, or skipping care or Rx, esp. lower income and health problems
- More cost-conscious decision making behavior
- Little quality/cost information provided by plans

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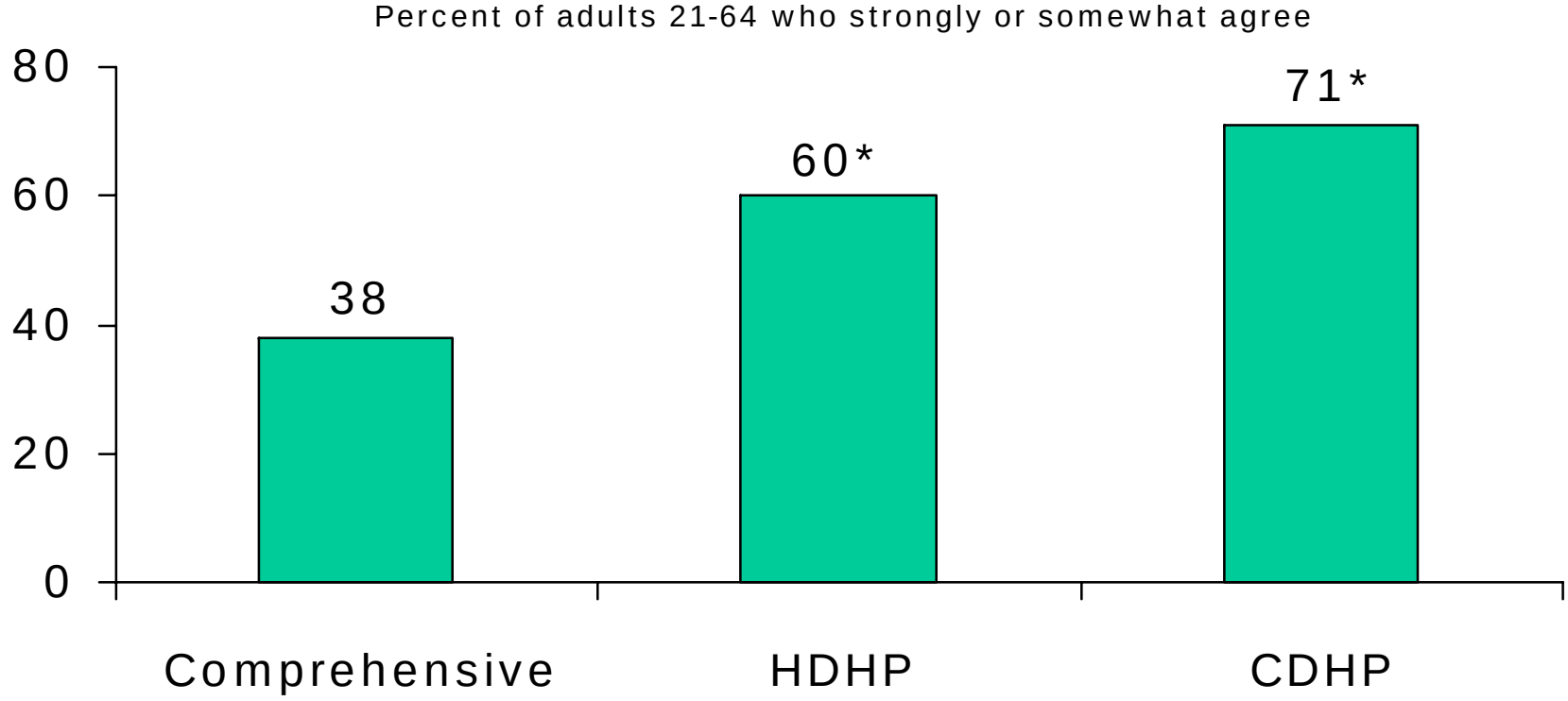
# Implications of Consumerism

- Lack of choice can drive backlash
- CDHP/HDHP more likely than comprehensive to report that they delayed or avoided needed care due to costs
  - Impact on health status unknown
- Only 15% report information on cost and quality of providers is available
  - CDHP/HDHP more likely to use it when available
- CDHP/HDHP more likely than comprehensive to exhibit cost conscious decision making

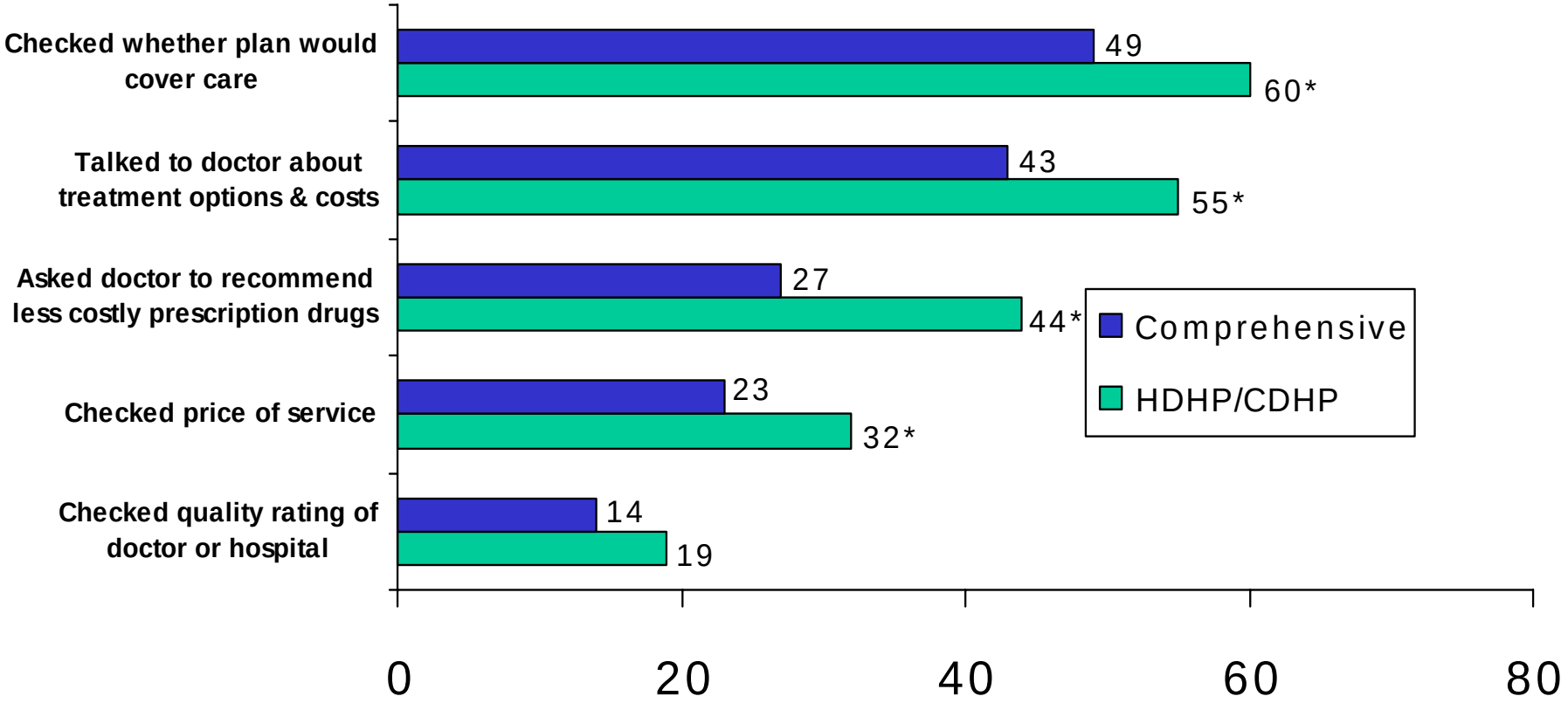
# Percentage of Adults who Agree that Terms of Coverage Make Them Consider Cost When Deciding to Seek Health Care Services




Note: Comprehensive = plan w/ no deductible or <$1000 (ind), <$2000 (fam); HDHP = plan w/ deductible $1000+ (ind), $2000+ (fam), no account; CDHP = plan w/ deductible $1000+ (ind), $2000+ (fam), w/ account.
*Difference between HDHP/CDHP and Comprehensive is statistically significant at p ≤ 0.05 or better.
Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2005.

# Cost Conscious Decision-Making, by Insurance Source

Percent of adults 21-64 who received health care in last twelve months

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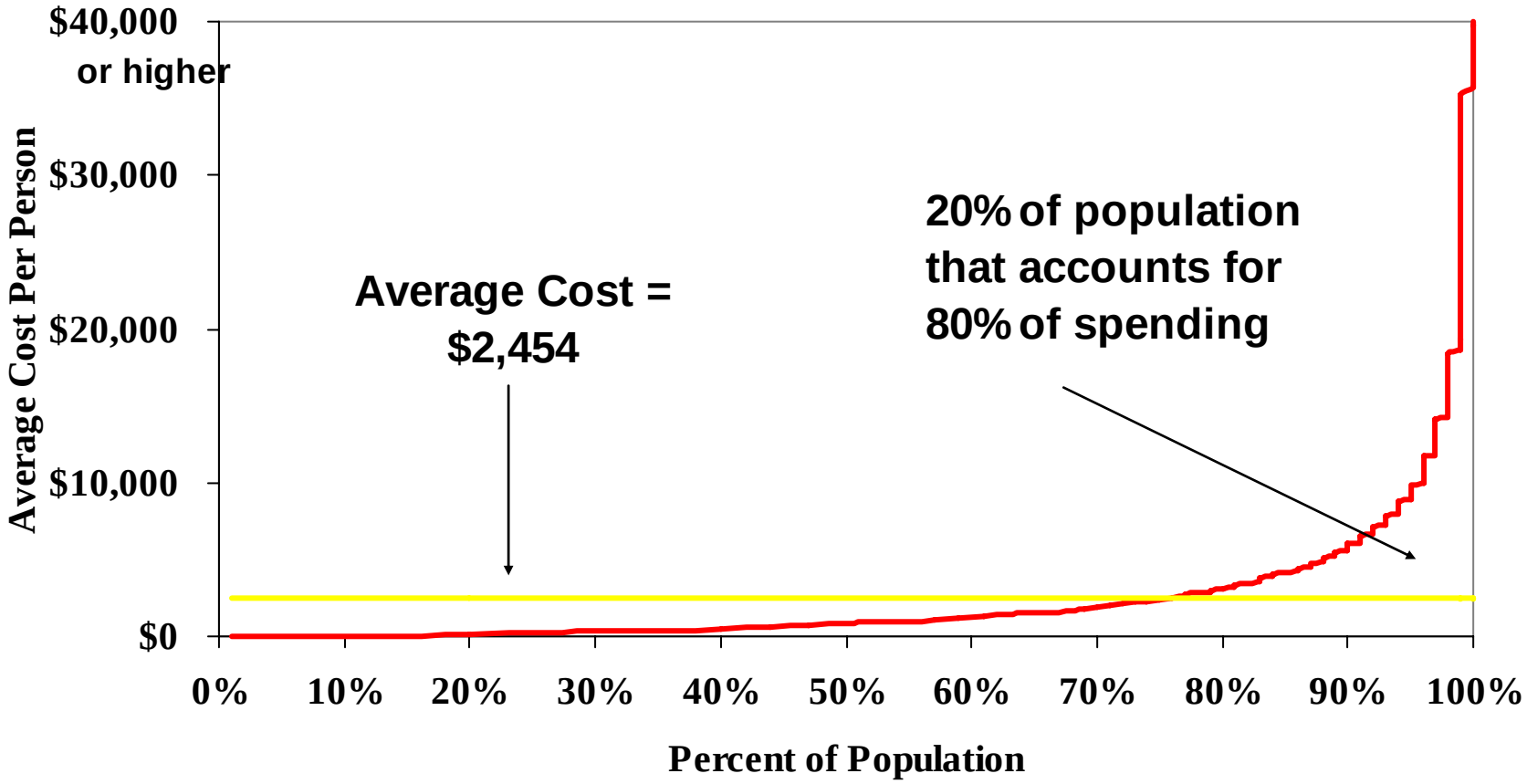
Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2005.

# Annual Claims Distribution

## Adults Ages 18-64, 2001




Source: EBRI estimates from the 2001 MEPS.

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# 15 Most Costly Conditions Account for Over 50% of Spending

| | |
|---|---|
| Heart disease | 9% |
| Trauma | 7% |
| Cancer | 6% |
| Pulmonary conditions | 6% |
| Mental disorders | 5% |
| Hypertension | 4% |
| Diabetes | 3% |
| Arthritis | 3% |
| Back problems | 3% |
| Cerebrovascular disease | 2% |
| Pneumonia | 2% |
| Skin disorders | 2% |
| Endocrine | 2% |
| Infectious disease | 2% |
| Kidney | 1% |
| **Total spending** | **56%** |

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# Asheville Project

(J. of Amer. Pharma Assoc., 2003)

- No cost meetings with pharmacists
  - Education, home meter training, physical assessments
- Co-payments for diabetes-specific drugs and supplies were waived

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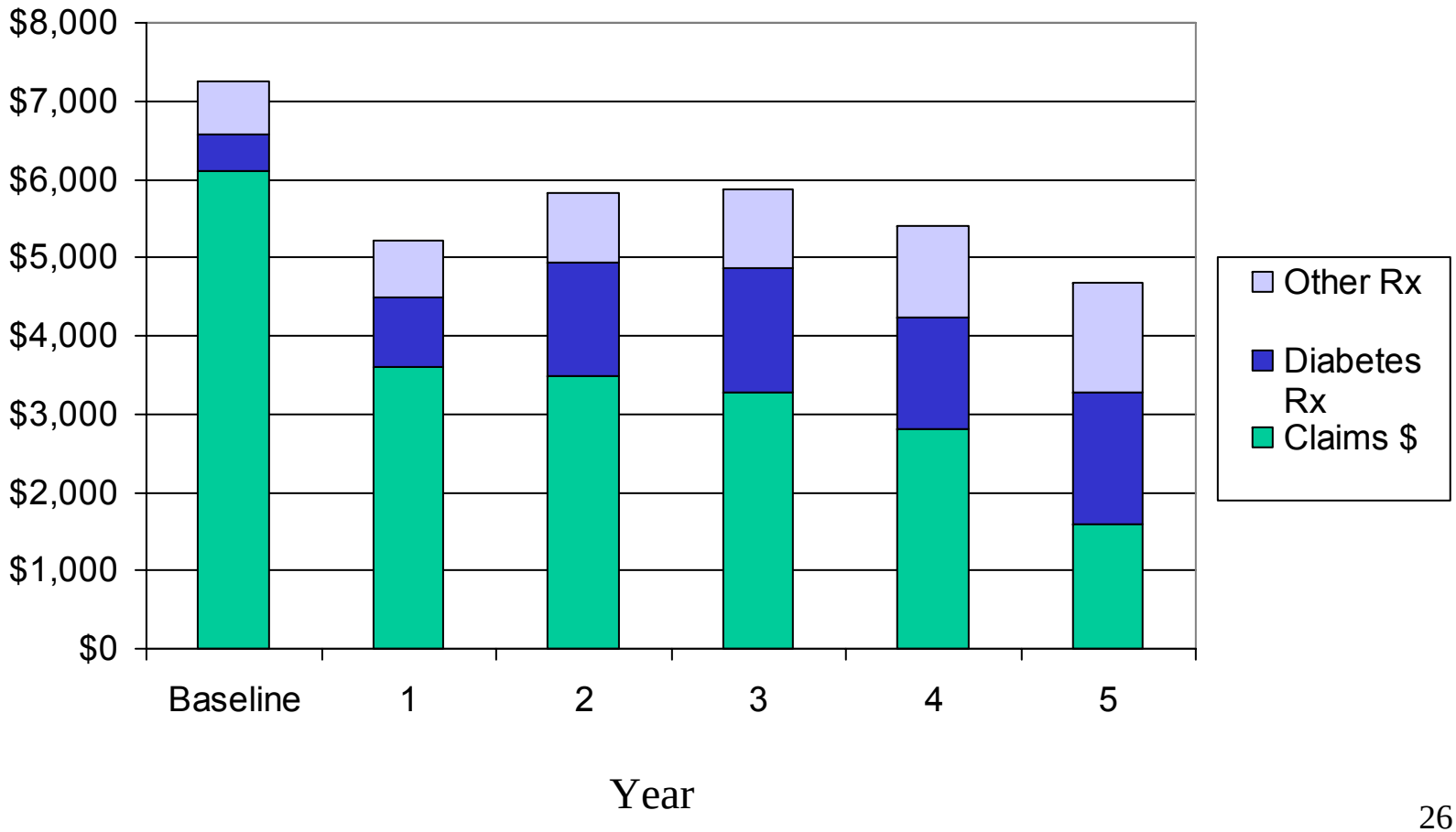
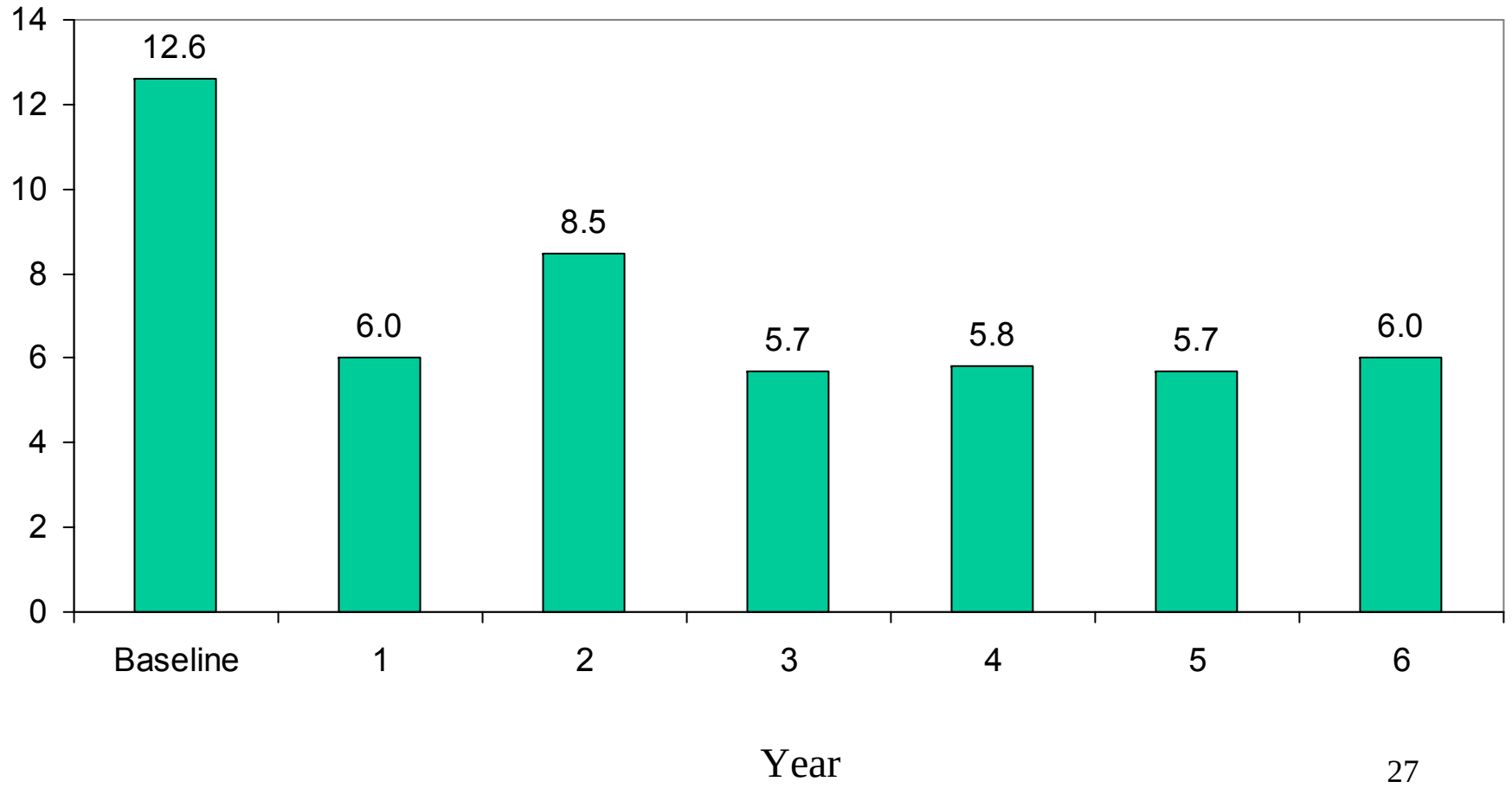
# Asheville Project
# Direct Medical Costs Over Time



# Asheville Project
# Ave. Annual Sick Days Among Diabetics



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# Cholesterol Lowering Drugs

- Recent Rand study, Journal of Managed Care
- Increase in co-payment from $10 to $20 associated with a 6-10 percentage point reduction in compliance.
- Full compliance associated with 357 fewer hospitalizations in sample studied.
- Elimination of co-payments for certain patients would avert 80,000 hospitalizations and 31,000 ER visits nationally.
- National savings would be more than $1 billion.