



'Consumer-driven' plans take hold at smaller companies

High-deductible coverage is rare, but it's growing in popularity

By Brett Brune

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Waste not.

Although it is the simplest of mantras, it has been hard-won in health care in the U.S.

Unbridled health-care costs are partly responsible for the fact that the number of uninsured in the U.S. now tops the population of Spain.

But this year, smaller employers "didn't have the same exodus from health-care plans" that they did last year, Mercer Health & Benefits principal Steve Swanson said.

He suggested that's because smaller companies, which tend to be most affected by cost increases, are leading a charge to "consumer-directed" or "consumer-driven" health plans.

Such plans commonly use health savings accounts, some of which include company contributions, to cover the costs of routine health-care services. Non-routine expenses are typically covered by traditional employer-sponsored insurance — after high deductibles are met.

While a consumer-directed plan costs the sickest of workers more than a traditional plan costs, it reduces the annual cost per employee by about \$1,000, compared with a managed-care plan such as a PPO or an HMO, Mercer's data show.

The high-deductible plans — which reflect the belief that people will be more judicious consumers if more of their money is on the line — represent a small percentage of plans offered.

Swanson said they are catching on "at a pretty incredible rate." A recent Mercer survey of 3,000 U.S. employers showed that the number of consumer-directed plans tripled in 2006.

Houston's largest employer has cottoned to "consumerism."

At the Houston Independent School District, health plans that encourage employees to be more vigilant consumers of health services are credited with controlling costs.

For the last three years, HISD's "broad spectrum of health-care-management programs" has included two consumer-directed options, Melinda Garrett, the district's chief financial officer, said.

Before the consumer plans were added, HISD's annual health benefit cost per employee was about \$5,500.

At that time, it had predicted the annual health benefit cost per employee would rise above \$7,000 in 2005. But Garrett said its cost per employee was only about \$5,770 this year.

Dan Boisvert, who runs a "consumer-driven health-care coordinator" called Integrated Healthcare, said a measure that the U.S. House passed this month to revive a number of tax breaks included a provision that "makes the funding of health savings accounts much more practical."

This, in turn, "should create a significant drive toward" high-deductible plans, he said.

David Toomey, a Cigna regional vice president, said "consumerism" efforts will help "remove the waste from the system" and lead to cost reductions: "We will stop overproducing health care, because we will demand value."