Consumer-Directed Health Care

You Should Know:

- Consumer-directed health plans (CDHPs) represent an innovative marketplace solution to the problem of rising health care costs. They are catching on fast – more than 3.2 million Americans are covered by some form of CDHP.¹

- CDHPs raise consumers’ awareness of the real costs of health care and provide them with opportunities for greater decision-making control over their health care spending. Research has shown that total health spending is reduced when consumers bear more responsibility for their health care expenses.²

- CDHPs facilitate access to quality care. Preventive care, such as routine physicals and child immunizations, is not subject to a deductible, and Aetna research shows CDHP members access preventive care at a greater rate than members of other plans.³ Also, based on four quality measures for diabetic care, Aetna CDHP members were found to be either maintaining or increasing their level of care.

- As an affordable health benefits choice, CDHPs also hold great promise for addressing the growing problem of the uninsured. New data show 27 percent of CDHPs (with a Health Savings Account) sold in the small group market were to employers that did not previously offer coverage for their employees.⁴

Background

With health care costs continuing to rise at double-digit rates (11.2 percent in 2004), many employers have been forced to reduce benefits, shift more cost to employees or drop coverage entirely. Less than two-thirds of all employers now offer health insurance to their employees. The marketplace is ready for increased consumer accountability and involvement in their own health care. In fact, an April 2004 Mercer Human Resources survey found that 81 percent of large employers and 78 percent of very small employers were “very likely” or “somewhat likely” to offer CDHPs by 2006.

How CDHPs Work

As most commonly constructed, CDHPs are health plans that include three major components: a health fund or health savings account, high-deductible medical coverage that includes preventive care not charged against the deductible, and access to informational tools that help consumers make informed decisions. CDHPs encourage members to become more involved in their own health care decisions and to exercise greater control over how and when their health care dollars are used. Consequently, they have an incentive to become informed, responsible and efficient health care consumers who continue to fully access the quality care they need.

The Aetna Difference

In 2001, Aetna became the first national, full-service insurer to introduce a consumer-directed (HRA) plan to the market. Committed to this innovative health care trend, Aetna has developed a full suite of consumer-directed health care products that we call Aetna HealthFund. We have developed our 7th generation Aetna HealthFund product. We also have made access to powerful online information resources and self-service tools an important part of the Aetna HealthFund experience, and we track our members’ experience with the plan.

Results

Aetna studied its own CDHP (Aetna HealthFund® HRA) in 2004 and found that members experienced only single-digit medical cost increases (3.7 to 6 percent) in the first year of adoption, which is significantly below the industry average for 2004. Also, general adult use of preventive care increased by as much as 23 percent, compared to 8 percent for similar members.

¹ Inside Consumer-Directed Care, Dec. 17, 2004
³ “Aetna HealthFund First-Year Results Validate Positive Impact of Health Care Consumerism,” June 22, 2004
⁴ “HSAs More than Double in Six Months, New AHIP Study Shows,” America’s Health Insurance Plans, May 4, 2005
Q. How does the health fund feature work?
A. A CDHP fund or account is money that is set aside at the start of the year and is used toward medical expenses before the consumer begins to pay out-of-pocket costs. For example, if a consumer has an annual deductible of $2,500 and a $1,000 fund, the consumer’s first $1,000 of medical expenses is paid out of that fund. The consumer then is responsible for the remaining expenses up to $2,500, when major medical coverage kicks in. The most popular types of funds include a Health Reimbursement Arrangement (HRA), employer-funded accounts, and Health Savings Accounts (HSAs), tax-advantaged funds to which employers, employees or both can contribute. Unused funds in HRAs and HSAs can be rolled over at year end. HSAs are portable from job to job, while HRAs are not.

Q. What types of information are available to help consumers make medical decisions that are appropriate for them?
A. To be engaged in health care decision-making and make better decisions, consumers need access to online tools and information about health care costs and quality. Aetna provides members with access to a host of health and benefits management information online through Aetna Navigator™, the company’s member easy-to-use, self-service website, and via telephone. Aetna’s member tools include an innovative health information source that provides access to evidence-based, clinical information on 5,000 health topics, an interactive online health and wellness program, and a suite of cost tools called “Estimate the Cost of Care.”

Q. Isn’t consumer-directed care just cost-shifting in disguise?
A. No, that is not our experience. First, most CDHPs provide up-front, 100 percent coverage of preventive care, which is a strong incentive for consumers to get the quality care they need. Second, the data show that CDHP premiums are more affordable than most traditional plans, which means some consumers are able to afford coverage they otherwise might not have. Third, our experience also shows that employers seldom offer CDHPs alone – employees have other coverage choices. However, employees increasingly are ready for the choices and responsibilities of this new age of “consumerism.” Hewitt Associates, which administers benefits for more than 18 million employees and their families, found that of 39,000 employees surveyed (Nov. 17, 2004) 93 percent indicate they are comfortable taking on more responsibility for health care decisions. And, 56 percent of employees at each company surveyed who were offered a consumer-driven customized design plan for 2005 enrolled in it (Feb 9, 2005).

Q. Will CDHPs replace other health benefits products?
A. While CDHPs are becoming increasingly popular, the marketplace continues to look for a full complement of health products and services to effectively meet the needs of today’s employers and consumers. One size definitely does not fit all. Aetna has developed a comprehensive suite of products and services to address these needs.

Q. Are consumer-directed health plans really just for the young and the healthy?
A. No. Our own 2005 employment enrollment demonstrates that consumer-directed plans are attractive to a wide range of employees. Among Aetna HealthFund members overall, the average age of members who chose Aetna HealthFund is about 42, the same average age as those who opted for another product.

---

2004 CDHP coverage cost is 17% less than PPO coverage cost*

- CDHP Cost Per Employee 2004: $5,233
- PPO Coverage Cost Per Employee 2004: $6,095

*Mercer Human Resource Consulting, Feb. 10, 2005