KANSAS CITY BUSINESS JOURNAL

As seen in the September 22-28, 2006 issue of the *Kansas City Business Journal*

THE METRO AREA'S MOST COMPREHENSIVE BUSINESS COVERAGE

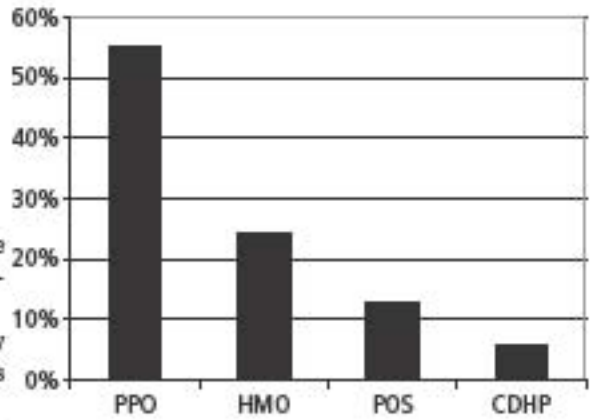
AS SEEN ON PAGE ONE

Study: Consumer-driven costs rising

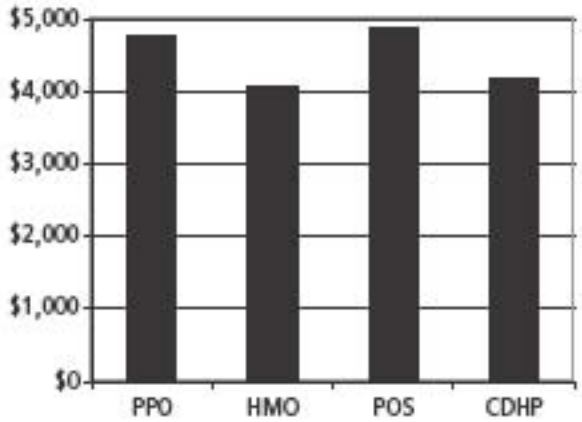
Health plan rates could go up 11%

BY ROB ROBERTS | STAFF WRITER

TYPES OF PLANS OFFERED



EMPLOYER'S COST PER EMPLOYEE



source: United Benefit Advisors LLC

The bloom may be off the consumer-driven rose soon, according to the nation's largest survey of employee-sponsored health plans.

With health care costs continuing to rise and many carriers prescribing consumer-driven health plans as a solution, the contention is sure to spark debate.

According to a survey of 9,600 employers Unified Benefit Advisors released this month, the cost of consumer-driven plans is expected to increase 11.1 percent next year, versus 11.6 percent for all plans.

This year, the UBA survey said, consumer-driven plan premiums grew by 5.7 percent, compared with 8.6 percent for all plans. But that differential is expected to narrow as more not-so-healthy employees enter consumer-driven plans, said Ron Dutton, president of R.J. Dutton Inc. in Overland Park.

Dutton

Dutton, whose employee benefits firm is part of the UBA alliance, said employees battling health issues have tended to steer clear of consumer-driven plans because of their higher median deductibles – $2,000 for individuals and $4,000 for families, according to the UBA survey.

"But the largest growth for consumer-driven plans has been coming from employers with under 100 employee lives who are scrambling for a solution to be able to provide health insurance," Dutton said. "For many smaller employers, the consumer-driven plan is now the only plan they offer. That means you're getting more of a mix of the population in these plans, so at some point, they're going to increase like everything else."

Beverly Gossage, a broker with OFM Benefits Consulting in Overland Park, said she doesn't believe that. But even if Dutton were right, Gossage said, employees in consumer-driven plans will be better off because the increases will be applied to lower premiums.

As a tradeoff for their higher deductibles, consumer-driven plans allow employees to accumulate money in tax-favored medical savings accounts, she said. In addition, premiums for plans with $2,500 deductibles are about 30 percent less than those charged for PPOs with $500 deductibles, she said.

Mark Whiting, a local principal with Mercer Health & Benefits, questioned that premium differential.

"A consumer-driven plan is something an employer can use to reduce his cost," Whiting said. "But it's a bullet, not a silver bullet. It's just not the 30 or 40 percent reduction that people want it to be and some actually profess it to be."

According to the UBA survey, consumer-driven and HMO plans "have approximately 10 percent lower annual costs per employee than the average plan."

The average total annual cost per employee for consumer-driven plans ($5,944) is considerably lower than the corresponding costs for PPOs ($6,840) and all plans ($6,629), according to the UBA study.

Although the number of employers offering consumer-driven plans more than doubled last year, only 5.8 percent of employers offer the plans, and only 3.4 percent of employees are enrolled in them, the survey said.

Though slipping in popularity, HMOs still are chosen by nearly five times as many employees, and traditional PPOs continue to dominate with 60 percent of all enrollment, according to UBA.

Asked why consumer-driven plans are generating so much buzz despite their relatively small market share, Whiting cited marketing.

Roger Foreman, chief marketing officer for Blue Cross and Blue Shield of Kansas City, agreed, adding that competitors in the BCBS-dominated Kansas City market are "trying to utilize the consumer-driven model as a differentiator."

Dutton said he preferred BCBSKC's new, more direct approach to lowering health care costs: promotion of employee wellness plans.

The concept behind consumer-driven plans is that making employees responsible for more of their health care costs will make them better health care consumers and, thus, reduce costs.

"But I'm not going to be any better of a consumer if I have a $2,500 deductible than if I have a $250 deductible," Dutton said. "I still won't know what different providers charge. And it won't make me change my health habits."

Gossage agreed that wellness programs and cost-transparency initiatives, such as those launched recently by UnitedHealthcare and Aetna, are needed. She does not agree that consumer-driven plans are a wise choice only for the healthy.

In fact, Gossage contended that consumer-driven plans generally are better for people with chronic health conditions, too, because most include 100 percent co-insurance after the deductible is met and require no co-pays. In short, the amount of the deductible is the annual out-of-pocket maximum for most consumer-driven plans, she said.

With many traditional PPOs, Gossage said, members pick up 20 percent of costs after their deductible is satisfied, to a maximum of $2,000. But there is no real out-of-pocket maximum because co-pays are not capped or applied to the deductible, she said.

"If you have a lot of health issues, you could end up making prescription co-pay after prescription co-pay, plus endless co-pays for doctor's visits," she said. "A company I was talking with today has a plan that charges $100 per outpatient visit and $150 per ER visit unless you're admitted."

Gossage said that if employers comparison shop and "do the math," more will begin offering consumer-driven plans.

Dutton, however, said that the savings carriers are passing along through consumer-driven plans have more to do with healthier enrollments than with the design of the plans.

"I've felt for the last three years that consumerism plans have been overrated and overhyped," Dutton said. "When you break it down, consumerism means increasing deductibles, shifting costs. That's what they are."

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