

## **Medicine's New Menu: Interest in "consumer-driven" health plans is exploding among employers, but skeptics say the plans draw mainly the healthy and wealthy**

Four-star hospitals?

Thumbs up or down on medical clinics?

MRIs listed from "\$" to "\$\$\$"?

One of the biggest challenges for the hot, new "consumer-driven" health plans might be delivering them without looking like a restaurant review.

Minnesotans heading into benefits-enrollment season will be hearing a lot about these plans, a radical new design promoted as the way to cheaper and better health coverage. Although a tiny percentage of Americans are covered by them now - estimates put it at 2 to 5 percent - employer interest has exploded, insurers report.

Many Minnesota companies are adding the option for the first time for 2005. Others are just waiting for federal regulators to clarify a few rules. That means working Minnesotans who don't see them now will probably see them within the next few years.

The push is to turn people into careful health care consumers - partly by letting them keep a chunk of unspent money.

Central to the process are informed patients who can navigate through cost and quality reports - some with stars and color coding - on drugs, clinics, hospitals and procedures such as MRIs.

Plan advocates say managed care has failed, that Americans won't pay attention to health care costs as long as all they see is a \$10 co-pay for doctor visits and prescriptions. They say employers can't go on absorbing double-digit cost increases every year in their company plans.

Skeptics worry that the new plans naturally draw mostly healthy participants, leaving behind a pool of sicker people who then face higher premiums. They say low-wage workers will be left out, because they can't come up with their required contributions of \$1,000 or \$2,000 or more. They say Americans prefer to get their doctor recommendations from family and friends.

A 2000 Kaiser Family Foundation poll, for example, reported that six in 10 people don't trust employers to be a reliable source for that.

Wells Fargo & Co. is one big employer heading into its third year with these consumer-driven plans as an option. Enrollment has steadily grown to about 9 percent of the bank's 146,000 employees nationwide, said Paula Roe, senior vice president of benefits at the bank in Minneapolis. Employees have given it a high satisfaction score: 4.5 out of 5.

Still, Roe appreciates that the plans are a big change from tradition.

"They take some getting used to," she said. "They're not for the faint of heart, at least not out of the chute."

For now

Employer-sponsored plans cover three of every five non-elderly Americans. Of workers offered coverage, 40 percent have only one option, most common among small employers.

Minnesota's Employers Association will make a consumer-driven plan available to its 1,400 member firms for 2005, said Sue Eskedahl, a vice president at the business services association in Plymouth. It will be the single option at the majority of companies that sign on, Eskedahl said.

The 60 percent of employees with choices might find them changed for next year, several Minnesota health carriers said. The trend is companies dropping their traditional co-pay plan, replacing it with one of the new plans, they said. Most have kept the middle-tier option, the indemnity plans that split medical bills, typically 80- 20 percent, between employer and employee.

There are two kinds of these new plans. Health Reimbursement Arrangements (HRAs) give employers more leeway in deciding what to cover, such as vision care. Health Savings Accounts (HSAs) have the advantage to employees of being portable.

A typical HRA or HSA starts the year with a pot of money, often between \$1,000 and \$4,000, half from the employer. That becomes the deductible. If all that is spent, an insurance policy kicks in with coverage. If not, the employee gets to roll over at least some of that money into next year's plan.

Minnesota's big health carriers, including Medica, Health Partners and Blue Cross Blue Shield, all offer versions of the plans.

Both HRAs and HSAs stress preventive care, which means such things as annual checkups are cost-free to participants. Similarly, the plans include help and incentives for healthy living - exercise, weight loss and smoking cessation - to cut down on costly health problems such as heart disease and high blood pressure.

One mid-sized Minnesota company, Bremer Bank of St. Paul, is adding similar wellness incentives to its health plans, said Yvonne Miller, employee benefits vice president. The company will wait to consider an HRA or HSA, Miller said.

Medica is offering an HRA to its employees for the first time next year, said Deb Knutson, senior human resources vice president. It is different enough that the company is not allowing employees to simply continue their 2004 coverage by doing nothing, the standard "default option." Instead, Medica is offering a series of explanatory employee meetings and an online tutorial.

"We want to make sure they understand the mechanics of each plan," Knutson said. "We really wanted our employees to pay attention this time."

At Wells Fargo, employees can use several Web-based assessments and a cost-calculation tool to compare their medical options.

Alisianna Ruiz, a phone bank supervisor there, mostly sticks to printed versions of company-provided information.

"I like to have something where I can make notes, write things out," Ruiz said.

So far, she has not ventured into her employer's HRA option. She and her husband Vincente, also on her policy, have no reason to leave their preferred option - the traditional plan, with a \$20 co-pay.

"It has worked so well for my husband and me in the past," she said. "Maybe if we have children, I'd choose another plan."

Ruiz has made use of her employer's wellness incentives, though, including reimbursement of some Weight Watchers fees. "To know someone was going to pay me to go was extra motivation," she said.

### Evolving Web sites

Web sites are springing up daily with information for the new "health care consumers" - some credible and some not, health-policy researchers say. They credit Minnesota health plans with some of the best, so far.

"The sites are evolving," Knutson agreed, "but I don't think they're there yet."

The Minnesota Community Measurement Web site, which will be online by Thanksgiving, is unlike others. Started as a project of the nonprofit Minnesota Council of Health Plans, the site distills "best practices" for health problems such as asthma, diabetes and depression. It describes good self-care, and lists points to discuss with the doctor. It also

reports how well the primary care clinics of 53 medical groups statewide measure up against the best practices.

As HRAs and HSAs proliferate, controversy follows.

For example, some research shows that the plans cut medical use by 5 to 10 percent. Advocates say it's a sign of better decisions, less waste. Skeptics say patients are skimping on necessary care to save money.

A long-standing concern is that the plans attract mostly young and healthy people, who save money but leave behind a pool of sicker people and higher premiums. Four years' experience by Definity Health in St. Louis Park challenges that, said spokesman Chris Delaney. Its HRAs and HSAs don't skew younger than the average age at its client companies, Delaney said.

Plans can be designed to discourage that potential problem, said Jim Fries, an account developer at Schwarz Williams Companies Inc. in Golden Valley. Keeping the employee's maximum out-of-pocket costs lower in the new plans makes them appealing to sick people, too, Fries said.

Another concern is how far to take the various rankings: Hospital-wide? Clinic-wide? By individual doctor?

There's evidence that doctors change their practices when being judged individually, said Twila Brase, president of the Citizens' Council on Health Care, a nonprofit agency in St. Paul that promotes choice in medical care.

"Practitioners de-select patients that make their scores look worse; they refuse to care for patients in the worst condition," Brase said.

Whether choosing a health plan for next year, or making the most of whatever plan they have, Minnesotans should know how the plan works with their particular health issues, said Julie Sonier, assistant director of health economics at the Minnesota Health Department. One couple might be expecting a baby. An older employee has diabetes. One family has a disabled child.

Turn first to information from the employer and health care provider, Sonier said. For more information, the health department's Web site lists other Web sites that it judges helpful and credible. Then starting next month, the Minnesota Community Measurement site will be a good resource on primary care clinics.

"This helps people sift through the mountains of information out there, and come up with a few key places on the Web that are good sources of information for them," Sonier said.

## Health care café: Cooking up creative insurance since 2004

### - Flexible spending account

These hold pre-tax dollars deposited by employees, usually through regular payroll deductions. Amounts typically run between \$2,000 and \$4,000 a year. Employers also can contribute, but few do. Employees then can pay their medical bills with the money. The main complaint is the "use it or lose it" rule. The employee loses any unspent balance at the end of each year.

Price: Whatever you contribute

### - Managed care plan

Coverage comes through monthly fees, often shared by employer and employee: 70 to 80 percent employer, 20 to 30 percent employee. Beyond that, office visits and prescription drugs usually carry a co-payment of at least \$10 to \$20. Patients typically need to stay within a network of doctors approved by their plans.

Price: Limited choice, co-pays, monthly premiums

### - Indemnity plan

Patients have unlimited choice of doctors. Some have an initial deductible. Otherwise, all medical costs are split between the employer and employee, commonly 80-percent to 20-percent.

Price: No upper limit on cost

### - Health Reimbursement Arrangement (HRA)

Employers buy a high-deductible health plan. They also put money into an HRA account for each employee, which can pay any out-of-pocket medical costs or apply toward the employee's deductible. Some or all of any unspent balance can roll over into the next year. HRAs are not portable from employer to employer.

Price: Not portable, high deductible

### - Health Savings Account (HSA)

Employees are covered by a high-deductible health plan. They also have their own HSA account - typically \$1,000 to \$4,000 split between the business and the employee - which

can pay for out-of-pocket medical costs or apply toward the employee's deductible. Any unspent balances can roll over into future years. HSAs are portable.

Price: High deductible.

All plans prepared with cost-control in mind. Only HSAs available for carry out. No substitutions or exceptions.