



**KNOWLEDGE IS
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USING DECISION SUPPORT TOOLS TO NAVIGATE CONSUMER-DRIVEN HEALTH PLANS

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Like the financial services industry before it, the health insurance industry is in the midst of powerful change.

As recently as 20 years ago, most employees left retirement planning to their employer's pension fund. But as more people entered the workforce, lived longer and required more resources, that model became unsustainable for many employers. Companies began moving from the defined benefit of pension plans to defined contributions of 401(k) plans. The movement was then further boosted

by government-sponsored tax advantages.

For consumers, this change offered more choice and control—and required a much higher level of knowledge. Suddenly, consumers had to begin making complicated, long-term financial decisions on their own.

A similar shift is now happening in health care, as costs continue to spiral beyond what many employers can absorb. According to a 2003 Business Round Table survey of 150 CEOs, health care costs represent “the greatest



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cost pressure” facing corporate America today. Increasingly, these costs are being passed on to the consumer. A December 2003 report by Mercer Human Resource Consulting found that employee contributions rose sharply in 2003, with the average monthly contribution for family coverage reaching \$389 at small firms and \$224 at large firms.

For some benefit specialists, a new solution has begun to emerge: bringing the consumer into the equation through health insurance plans that provide for increased employee involvement. Often termed *consumer-driven* or *consumer-directed* health plans, these plans aim to slow the growth of medical spending by providing participants with educational resources, decision-making tools and financial incentives that will lead them to make more informed and efficient health care decisions.

Supporting Informed Choices

While there is no single design for consumer-driven health plans, most involve company money placed into a fund that employees can spend however they choose. These accounts are known as HRAs (health care reimbursement accounts), HSAs (health savings accounts), PCAs (personal care accounts) or something similar. If that fund is depleted during the calendar year, employees will then pay health care costs out-of-pocket until they reach a certain deductible. Unused amounts can be rolled over and applied toward health care expenses in subsequent years. Many of these plans offer comprehensive wellness coverage separately so that employees are not discouraged from seeking preventive care.

Under this type of plan, consumers have an incentive to spend “their” health care dollars more carefully, which employers hope will lead to reduced health care costs without sacrificing quality of care. But in order for consumer-driven health care plans to work, they need to be backed by reliable, objective information that consumers can use to make carefully reasoned choices about their health care.

Again, the financial industry provides an illustrative parallel. Once 401(k) plans became the norm, employers began providing their staff with the data, advice and resources they need to make informed retirement decisions. In the 1990s, online resources offering investment advice and information, such as Morningstar and the Motley Fool, started to proliferate. Now, with approximately 60% of consumers owning a 401(k) retirement plan and nearly 40% owning a mutual fund account, such resources have become an accepted and expected part of retirement planning.

The system isn't perfect. Recent problems such as the Enron failure show that ongoing education is still needed to ensure that employees strike the right balance in their investment portfolios. But there is no doubt that the average consumer is far savvier about investing and finances today than 20 years ago.

By the same token, a growing number of health plans and employers have taken the lead in helping people navigate the consumer-driven health care landscape. Nearly all of the 30 largest health plans in the United States, representing more than 100 million consumers, offer a diverse mix of decision support tools and resources to facilitate health care decision-making.

Delivering Decision Support

Health plans typically provide access to decision support tools and resources through a password-protected area of their website. Members can view benefit summaries, claims status, account balances, vast libraries of condition- or procedure-specific information, and a variety of decision-support tools and services.

For example, many health plans now offer a health “coach”—generally a

nurse, dietician or therapist—who is available via phone or e-mail to support members on issues from wellness guidance to disease management for chronic conditions. Other plans help members better understand their medical condition and treatment options through a content database such as Healthwise Inc.'s Knowledgebase, which provides detailed information on thousands of different conditions and procedures.

Another popular resource is hospital comparison tools, which allow consumers to research and compare hospitals in their area. The goal behind such tools is simple: to help users objectively pick a hospital that best suits their health care needs. Rather than relying on subjective methods such as location or word-of-mouth reputation, consumers can begin to apply the same careful analysis to health care as they do when making any other significant purchase.

My firm, HealthShare Technology, also provides health care decision support tools such as a hospital comparison tool called Select Quality Care Consumer. It leverages publicly available data from state and federal agencies. To enable a meaningful comparison, the information is adjusted for severity of illness using sophisticated, industry-accepted methodologies.

Once users log in to Select Quality Care via their health plan or employer's website, they can select from a pull-down menu of more than 165 conditions and procedures. After entering their ZIP code and indicating the distance they are willing to travel for care, users will see a list of hospitals in their area that perform that particular procedure. Next, users can rank five key outcome areas—patient volume, complications, length of stay, cost and mortality—by order of importance to them. The tool compares up to 10 hospitals at a time, offering an overall ranking of hospitals based on the characteristics selected.

One important caveat: Hospital comparison tools are not meant to provide consumers with definitive answers about which hospital they should ultimately choose. Rather, they provide consumers with a starting point for additional research and conversations with their physician. For example, a patient needing a radical prostatectomy might first use the tool to identify a few hospitals with experience and favorable outcomes. They might visit each hospital's website to gain a better understanding of their individual offerings and finally discuss their options with their physician.

The Impact on Consumers

Now that consumer-driven health resources like hospital comparison tools have been around for a few years, the logical question is whether they have begun to change the way people make health care decisions.

While it's still early, the signs seem to point to "yes." HealthShare Technology regularly surveys users of Select Quality Care to determine whether the tool is meeting their needs and how it could be improved. Almost uniformly, consumers say the information is helping them

make more informed decisions. Thirty-four percent of these users are reassured about their hospital after using the tool, 20% have concerns about the hospital they were planning to use, and 12% intend to change hospitals.

For a broader and more quantitative view of consumer behavior, HealthShare undertook a survey, conducted by Forrester Research, of 5,000 adults polled from an existing benchmark survey of 60,000 individuals. The survey, which was weighted to reflect U.S. Census statistics, showed that the number of people researching hospital quality online rose from 3% in April 2002 to 11% in October 2003.

More significantly, the report shows that the information these "hospital quality seekers" receive is beginning to impact their health care choices and behavior. Seventeen percent considered changing hospitals based on the information they received when comparing hospital quality, and 10% actually did so. Eighty-eight percent of respondents were primarily concerned with two factors: the hospital's complication rate and past patient satisfaction.

Health plans are also reporting progress. In February 2003, Aetna released the preliminary results of a study of nearly 14,000 members in Aetna HealthFund, which showed that the consumer-directed aspects of the plan appear to be encouraging more active engagement in health care decision making. Medical costs stayed relatively flat, rising just 1.5%, while utilization of preventive care increased 16% more than in a similar population.

The study also found that Aetna HealthFund members are taking greater advantage of the consumer tools and information that are offered to them. For example, members access Aetna IntelliHealth, Aetna's consumer health information website, 48% more often than a similar population. In addition, more than half of Aetna HealthFund members had fund dollars left over to roll into 2004.

The consumer-driven movement shows no signs of slowing down. According to a December 2003 survey by Hewitt Associates, the percentage of large employers offering consumer-driven health plans is projected to double in 2004. Just as people who didn't know a P/E ratio 10 years ago are now buying and selling stocks, health care consumers are beginning to make more informed health care decisions based on factors they never considered before. It's a brave new world—and one that consumers should enter in full partnership with their physician. An informed patient, plus a knowledgeable and caring doctor, is the best treatment for what ails today's health care system. ■

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