

Consumer Directed Healthcare: What's it going take for this "silver bullet" to succeed?

By Lindsay R. Resnick

As employers ask their brokers to find relief from rising health insurance costs, one answer is crisscrossing the country: Consumer Directed Healthcare (CDH). Every health plan and broker has a CDH product in their portfolio. Is this the silver bullet the industry has been searching for?

The "big idea" behind Consumer Directed Healthcare is increased awareness and accountability about cost and quality of health care. Rather than shielding consumers, these plans engage employees directly, empowering them to take a decisive role in where, when, and from whom they receive care. In theory, if employees have skin in the game and start spending money like it's theirs instead of someone else's, the holy grail of cost containment will finally be attained. But, it's a behavior change extraordinaire.

Players in the consumerism game have a lot a stake, so what's it going to take to succeed?

Health Plans CDH is the product offering of the century – faster ramp-up than the HMOs of yesteryear! For health plans however it's a tricky financial formula. The rapid adoption of High Deductible Health Plans, a cornerstone of CDH, means a significant reduction in premium revenue (*and broker commissions*). This comes at a time when insurers are investing heavily in technology and administrative systems to manage new banking relationships and HSA-HRA-FSA adjudication challenges. It's a tough ROI juggling act that Wall Street is watching carefully.

What's it going to take? Proof-of-concept is going to make or break CDH over the next 18-months. Tough questions from smart benefit managers need answers:

1. Can CDH deliver sustained saving once the "low hanging fruit" of young and healthy enrollees is harvested?
2. Are expectations for CDH consumers realistic given years of insulation by \$20 co-pays and an entitlement mindset?
3. Will CDH patients forgo needed medical care when it comes to dipping into their own wallet?

Employers America's CEOs, CFOs and benefit managers are trying to figure out the balance between workers tolerance for change and corporate profitability. Many are looking to get out of the health benefit business altogether. But for most, CDH is the final hope. Spinning it as cost sharing (*albeit cost shifting*), employers are embracing CDH to get their employees involved, and at the same time exposing them to a puzzle of financial and clinical choices. From enrollment to point of care, setting realistic expectations about this new CDH experience is crucial.

What's it going to take? Success means changing the way people think about health care and insurance. The ability to educate a diversified employee population and guide them on how to navigate CDH benefits will separate winners from losers. Education starts with easy-to-understand product roadmaps and is supported with ongoing communication campaigns. Remember, with employees still suffering a managed care hangover, missteps in a CDH rollout can derail the most well-intentioned efforts. These plans won't deliver the long-term premium savings employers are counting on if employees are not prepared.

Employees On a good day health insurance is a bureaucratic nightmare. The litany of acronyms – HSA, CDH, HDHP – seem more like a thirteen year-old's instant messaging than an employee benefit plan. If you ask employees to drive upfront benefit decisions and stay involved throughout care delivery, they need to understand how to make efficient choices about services they want and their willingness to pay. CDH creates a new employer/employee partnership: get involved in personal health care decisions to preserve your health benefits and contain costs.

What's it going to take? Don't sell consumers short about managing a healthcare budget and comparison shopping...particularly when it means saving money out of their own pocket. The consumer's new job is to manage day-to-day health care dollars. And to help, the blindfold is coming off. Best-in-class CDH plans are making user-friendly information readily available to facilitate confident decisions – easy-to-read plan guides, real-time account tracking, provider price and quality comparisons, and vast libraries of clinical content.

Brokers There's a convergence underway. The rapid expansion of Consumer Directed Healthcare has blurred the line between health care and finance. It used to be that health insurance companies underwrote and managed risk. And brokers sold it. Today, in an industry where provider networks and utilization management reigned supreme, it's just as common to hear terms such as asset protection and tax-advantaged savings vehicles. Health insurance companies own banks, and banks have healthcare business units.

What's it going to take? Financial planners are integrating health benefit options into long-term asset protection, and health brokers are weighing tax implications of HSA plan designs. As today's consumers become tomorrow's payers, brokers need to move from benefit salesperson to consultative financial counselor. CDH plans are complex. It takes disciplined training and sophisticated, yet practical, product presentations to close a CDH sale. Brokers must demonstrate bottom-line value to CFOs, and show benefit managers how to easily transition employees from managed care to a CDH plan.

Providers Cash is king; get ready for different flow of money. As high deductible plans and account-based benefit schemes take hold, physicians and hospitals will be faced with a new set of receivable challenges — collecting directly from patients at point of care. Add to this another new dynamic, a more knowledgeable patient armed with information and asking questions. Patient-provider information exchange is a key driver behind healthcare consumerism. Once provider performance information is released in a community, competitive forces will quickly take over. Local employers and employees will demand results.

What's it going to take? The emergence of new CDH financial arrangements and open patient communication means the provider world is facing big changes. Competitive-market dynamics will encourage providers to demonstrate value and change patient management. CDH reinvents the connection between provider and patient. As doctors and hospitals get used to CDH rules, they will quickly understand what's in it for them – increased loyalty and improved satisfaction. And, greater visibility of local provider cost and quality information should yield more competitively priced healthcare benefits for employers, and enable employees to make better healthcare choices.

The watchwords moving forward are employee education, behavior modification and product ROI. Well-crafted communication and product introduction strategies will increase CDH uptake among employers and employees alike. By removing the intimidation and confusion that usually greets healthcare consumers, CDH can achieve educated buy-in and boost consumer confidence in their healthcare decisions. Ultimately, only a track record of bottom-line financial impact and customer satisfaction will determine if the CDH silver bullet succeeds.

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