

## VIEWS

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# Why Employers Might Want to Rethink HDHPs

BY MARK STADLER

**W**hen we get away from city lights, we can celebrate the stars that dot the night sky. But astronomers are quick to point to dark matter, or the stuff we don't see. Making up 90% or more of all mass in the cosmos, dark matter exerts a gravitational pull just as visible matter does.

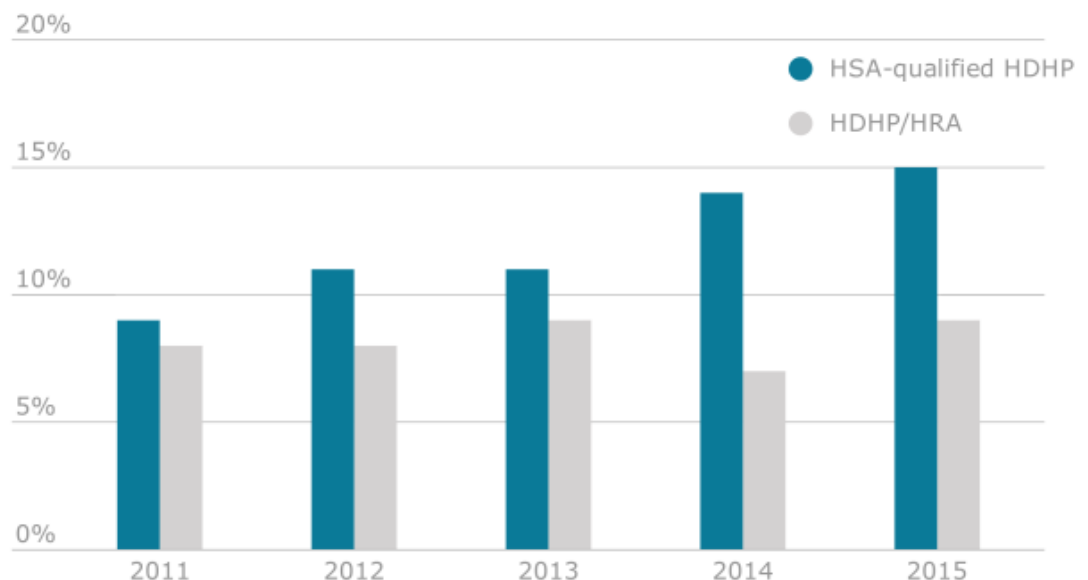
The state of high-deductible health plans in the U.S. business community is not unlike the night sky. Employers celebrate these stars of the health benefits cosmos, but there's more here than meets the eye. Indeed, there is dark matter, which discerning plan sponsors are beginning to address in innovative ways. First though, a look at the stars.

Two-thirds of large employers believe HDHPs are one of the most effective ways to reduce costs, according to the National Business Group on Health. And they have some reason to believe this.

A study by the National Bureau of Economic Research followed a firm that adopted an HDHP. Costs decreased for preventive, emergency,

### On the rise

Percentage of workers enrolled in HDHPs



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits

outpatient and pharmaceutical care. Total spend fell 10 to 15% during two years of plan experience. Other studies echo the NBER findings: Higher deductibles lead to less care across the board, and hence, a lower benefit spend.

These savings go straight to the bottom lines of companies struggling to offset rising healthcare costs. Not surprisingly, more businesses are

embracing consumer-driven plans. Over the past eight years, the size of the average employer-sponsored plan deductible has more than doubled. In the next three years, almost 40% of companies that offer health insurance may make high deductible plans the only choice for workers, according to a survey by professional services consulting firm PwC. A quarter of all firms are

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doing that now. In 2013, just 13% offered only HDHPs to their employees.

## **The dark matter of HDHPs: neglected, delayed care**

Now let's look at the dark matter of consumer-driven plan designs.

Although HDHPs reduce utilization, workers forgo necessary as well as unnecessary care, according to several studies. Delayed care can resurface later as more costly health complications, emergency room visits, hospitalizations, readmissions, disability and absenteeism.

A survey by Families USA found that nearly 30% of employees and dependents with deductibles higher than \$1,500 for individual coverage avoided medical care — tests, treatment, follow-up care and prescription drugs — because they couldn't afford the out-of-pocket costs. A Commonwealth Fund study showed almost 30% of privately insured, working-age Americans with deductibles of at least 5% of their income had a medical problem but didn't visit the doctor. A third survey found nearly half of middle-class workers skipped healthcare services or fell into financial hardship because of health expenses.

The NBER study learned that HDHP plan members with chronic conditions — both adults and children — were more likely to delay care than non-HDHP enrollees. Another study found HDHP enrollees were more likely to stop taking medications for chronic conditions.

## **HDHP members don't seek out best prices**

There's more dark matter in HDHPs. Although consumer-driven plan designs are supposed to engage enrollees as discriminating shoppers, the facts say otherwise.

People in consumer-driven plans are more likely to forgo preventive care, even for Affordable Care Act essential health benefits with no out-of-pocket cost. They seem unaware that some preventive services are free to patients.

In the NBER study, HDHP members were no more inclined to shop for care and purchase lower-cost services. Another study comparing HDHP and non-HDHP member behavior yielded similar results.

The dark matter here is that workers in consumer-driven plans in fact are not price-conscious. If they were, employers and employees alike would doubtless experience further cost savings. Physicians and facilities bill different payers varied prices, and privately insured patients pay more to subsidize uninsured and Medicare patients who pay less. Prices vary by provider even for common services like blood work and mammograms.

## **Discerning employers adopt innovative benefit solution**

Discerning plan sponsors are taking a rather innovative approach to drive additional cost savings and improve the quality of care for workers and their dependents.

Employers are turning to specialized benefit management firms that provide access to high-quality centers of excellence with lower, predictable costs. These firms specialize in bundling case rates for surgical procedures that include cardiac, vascular, orthopedic, bariatric, spine and neurological, cancer, and women's health conditions.

The benefit management firm identifies the hospitals it wants to work with — by practice, procedure and specific physician group. The best firms rely on third-party quality ratings to develop their networks, including only top-quality hospitals

and surgical centers. The firm then negotiates with this narrow network of high-performing surgical teams for episode-of-care case rates, bundling the various charges for each surgery into a single discounted price.

The bundling firm resells these discounted case rates to employer groups, often charging a predetermined per-employee per-month access fee. The firm offers additional value by providing benefit design recommendations to the employer and administering eligibility confirmation, pre-certification and benefits coordination with the employer's medical carrier. The firm's care coordinators help the employer's workers with decision support, case review, surgery scheduling and travel arrangements when necessary.

## **Bundled surgical case rate plans: A win-win**

Lower-cost, high-quality bundled surgical case rate plans add to the stars that light the employee benefits cosmos. These specialized, narrow-network solutions mount a strong strategic assault on runaway healthcare costs and offer a win-win for employee and employer.

The employee wins chiefly because he pays little or nothing for high-quality surgery under this arrangement. The employer wins because it enjoys deep savings on high-quality surgeries for its employees, which helps attract and retain top talent.

Bundled surgical case rate results can be impressive. For example, for bundled hip replacement surgeries at one company, the employee and employer paid \$0 and \$24,213, respectively, versus \$2,500 and \$42,153. For a variety of bundled surgeries, an employer saved \$1.1 million over three years. ROI has ranged from 2:1 to 16:1 based on the

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level of engagement plan sponsors have chosen.

And bundled case rate plans have helped plan sponsors avoid additional costs. One employer offers a voluntary bundled surgical rate plan alongside its PPO plan. It found that in 2015, of the 20 procedures completed through its PPO plan, eight resulted in complications that cost the employer hundreds of thousands of dollars to treat. By comparison, none

of the surgeries completed through the bundled plan featuring high-performing surgical centers resulted in complications.

Postoperative complications bring other costs such as absenteeism, presenteeism and the unbudgeted, unexpected expense of contract labor. Bundled case rate benefit plans, when tied to centers of excellence, mitigate these costs and concerns.

Imagine gazing at the night sky, and

with a wave of your hand, increasing the number of stars and reducing the volume of dark matter. In the cosmos of health benefits, employers can do just that by contracting for bundled surgical case rate benefit plans, driving deeper savings and improving the quality of care for their valued employees.

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