

# Consumer Driven Healthcare

VOLUME 3

NUMBER 12

DECEMBER 2004

*PPO meets CDHP*

## Tiered CDHP works for Atlanta-based company

Consumer driven health plans may offer myriad benefits, but there's one factor that drives most employers to take that first serious look: Cost. Such was the case with an Atlanta company trying to find the balance between providing for an aging workforce and dealing with the rising price of healthcare.

Facing a potential 24% increase from her fully insured provider (HMO/PPO), **Barbara Snyder**, vice president of human resources of Atlanta-based Atlantic American Insurance Group, decided to look for something different for her employees.

A CDHP made sense, but rather than turn to a standard HDHP-plus-account approach, she (aided by her broker) looked to Denver-based Great-West Healthcare, opting for the company's Consumer Advantage plan alongside a traditional PPO.

Great-West describes Consumer Advantage as a consumer-driven PPO, not an HDHP. It's a tiered-benefits plan design that provides three levels of coverage. (See **Figure 1**.) (Great-West also offers HSAs and HRAs as separate products from the Consumer Advantage product.)

The highest level of coverage is for office visits and preventive care, which is covered 100% after the co-pay. "The message to the members is 'do what it takes to stay healthy,'" explains **Cindy Donohoe**, vice president of marketing and product development at Great-West.

The second-highest coverage level is for medically complex or catastrophic services -- from 70-90%, depending on the plan design, and the third level covers routine outpatient or diagnostic services -- where the consumer has the most control, more choices, more options, and more time.

The underlying philosophy, says Donohoe, is to engage the consumer where it makes the most sense. By distinguishing among preventive care, catastrophic, and routine or scheduled services, it puts the responsibility on the members: When employees have the time and ability to decide about a higher-cost routine service, they have the tools to make more

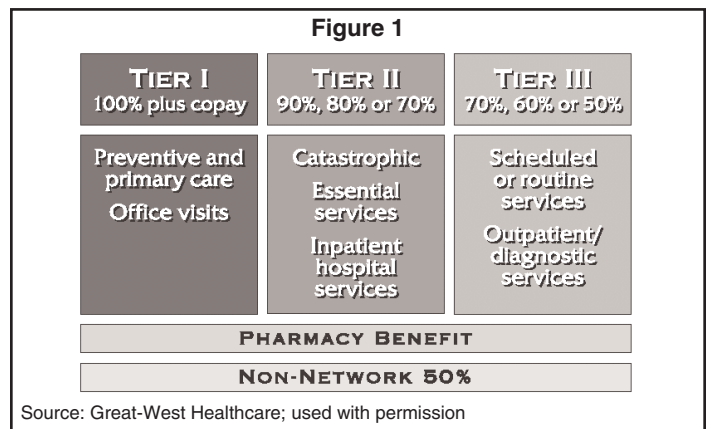
informed decisions. And it lets the consumer know he or she will be taken care of at those times when a choice really doesn't exist, she says.

"It really allows the member to take on more responsibility and be more engaged, but only in those places where it makes sense, where they can actually have an impact on the costs," she explains.

Donohoe cites another potential advantage: As a PPO-style plan, it has co-pay, co-insurance, and deductibles "so it looks and feels very much like the plans employees are in today; it's easy for them to understand." And, she adds, the premium is about 15% less than that of a traditional PPO -- and sometimes much less.

Great-West provides a variety of educational materials (dubbed Driver's Education) that employers can offer employees. It has online health- and plan-management options focusing on helping employees take more control and become more engaged, including hospital information (based on Leapfrog data), a treatment-cost estimator, and a drug-comparison tool. It also provides disease management and nurse-support services.

"We're aligning the treatment with the cost impact and providing the information to make the decision," explains **Charles Steele**, assistant vice president of product development at Great-West.



## Making the switch

For 2004, Snyder decided to offer Consumer Advantage alongside a traditional PPO. (According to Steele, 48% of employers offering Consumer Advantage offer it as full replacement.) Out of 235 Atlantic American employees, 48 chose Consumer Advantage; 67 chose standard PPO. While she receives the occasional question-- often from those who haven't used Great-West's online tools to look for answers -- she hasn't had any complaints about the plan.

Snyder cited several reasons for switching to a consumer driven plan:

- **Employee responsibility and control.**
- **Cost.** Moving to a consumer-directed plan led to lower rate hikes. For many employees, choosing the Consumer Advantage plan cut their premium in half, she says.

- **Control.** Before taking the HMO/PPO approach, Atlantic American had self-funded its health insurance, and Snyder welcomed the opportunity to do so again.

- **A focus on prevention.** "Our premise is that if an employee takes steps to practice a healthy lifestyle, he or she is a step ahead in the healthcare game," says Snyder.

- **Administrative ease.** In the past, Snyder didn't receive the data she needed to administer the plan effectively. "I did not know from quarter to quarter what my claims were. I was operating blindly." That has changed. Having access to that data in 2004 has assisted in making plan adjustments for 2005, she says. Costs are going up again in 2005 (mostly due to the PPO), but this time, she has the tools to see why -- and to determine what she needs to do about it. "Having all this data has been such an education," she says. For instance, she discovered that a large percentage of cost increases have been driven by prescription drugs. Accordingly, Atlantic American is applying a prescription deductible for the 2005 plan year.

- **Parity.** Atlantic American has offices in Texas and Georgia, but the former provider only offered the HMO to the Georgia staff; the Texas employees didn't have a choice. Now, all Atlantic American employees have the same healthcare options: a traditional PPO or the Consumer Advantage plan.

- **Employee tools.**
- **Network remained the same.** Employees, generally, did not have to change physicians.
- **A savings account option.** While the Consumer Advantage plan itself doesn't include an account component, Great-West offers various account options, allowing for pre-tax savings.

## Lessons learned

In her first year with a CDH-style plan, Snyder

learned two valuable lessons.

**1. "Don't make the least attractive option for the employer the most attractive one for the employee."** In retrospect, she believes she made the PPO too benefits-rich. She wanted to provide an attractive alternative for the employees who had been in an HMO, but she fears she may have unintentionally undermined the consumer plan. "I think we made it too rich."

Now, she's facing another increase. At the time of the interview, she was working on various strategies to create more of a balance. Among the items under consideration: covering 100% of the employees' premiums for those who opt for the Consumer Advantage plan; adding a prescription deductible; or in some other way having the PPO users pay the difference in premiums between the PPO and the Consumer Advantage plan.

**2. Do more education.** During the current enrollment period, Snyder plans to put more time into explaining the benefits of a CDH approach. This time around, she will be equipped with data from satisfied employees who enrolled in Consumer Advantage last year.

She says once employees understand the concept, they will be more likely to choose the consumer driven option. "I want them to [choose the] Consumer Advantage plan because they want control, because they want to save money, and because they believe in it."

If they are appropriately educated, she says, they will understand "the Consumer Advantage plan provides the employee with independent, hands-on involvement in their healthcare." She hopes many of the employees who initially opted for the PPO out of fear will decide the consumer-driven approach is "an appropriate alternative -- and a bargain, quite honestly."

## Changing lifestyles, not just plans

Snyder, a fitness buff, doesn't think that employee health begins and ends with plan design. She's an advocate of employee fitness programs, and runs the one in her Atlanta office. Even if only a small fraction of employees participate, the company will reap benefits, she says.

She also says some employees may need a gentle push to take advantage of the health management tools available to them. Great-West's website, she notes, offers an array of health management tools, but employees haven't been using them. They see the website as "insurance," not as a source of information. But they are missing out, she says: "It's as good as WebMD."

It comes back to education, says Snyder. "That's my challenge. This year, they will be educated," she says. "I can stand up and say, I am here to talk to you about necessity of knowing your healthcare plan."

*Editor's Note: Cindy Donohoe and Charles Steele can be reached at (800) 537-2033. ♦*

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