

Consumer Attitudes Toward Health Care



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It is open enrollment time for health benefits and a company decides to replace its traditional health insurance plan with a consumer-driven plan. Would employees be prepared to meet the plan's higher deductible? Would they know how to find the cost of knee surgery or which local hospital has performed the procedure the most? According to the 2006 Great-West Healthcare Consumer Attitudes Toward Health Care survey, most employees are not prepared for this level of engagement.

"While consumer-driven plans have arrived, the survey results say consumer-driven behavior largely has not," said Marc Ver Straate, director of CDHC product strategy at Great-West Healthcare. "These plans certainly are viable options for employers, but our findings suggest that to succeed, CDHPs should be combined with persistent, compelling member information campaigns as well as comprehensive medical management programs."

The national survey reflects responses of 1,000 U.S. adults, ranging in age from 18 to 64 years old, who are covered by employer-sponsored health plans and are key decision-makers about health insurance in their households.

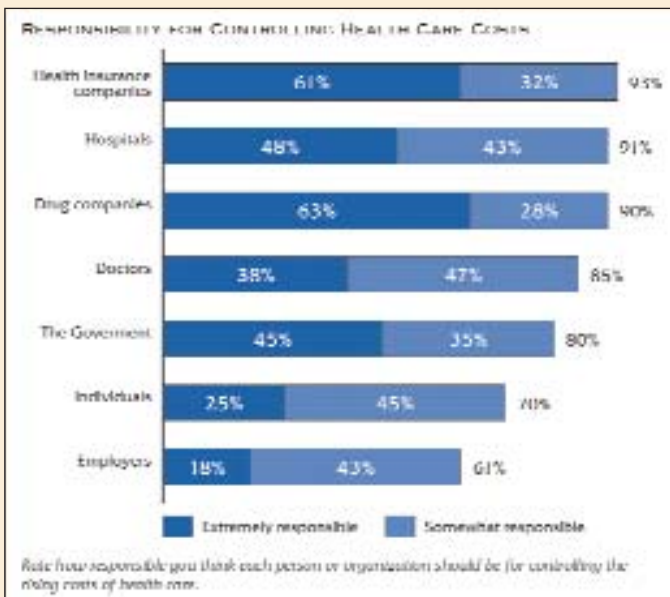
The 2006 survey shows one in four consumers has set aside no money to pay for health care expenses, while only 39% have saved more than \$1,000 and just 28% more than \$2,000. These statistics suggest that most are unprepared for high-deductible CDHPs. Health Savings Account enrollees, for example, must meet deductibles of at least \$1,050 for individuals and \$2,100 for families in 2006.

Additionally, only five percent have used online cost or quality comparison tools, and just as few people associate the concept of responsibility with CDHPs. Consistent with not acknowledging that CDHPs require greater responsibility, 60% of consumers would rather not design their own plan, but choose from a subset that their employers design for them.

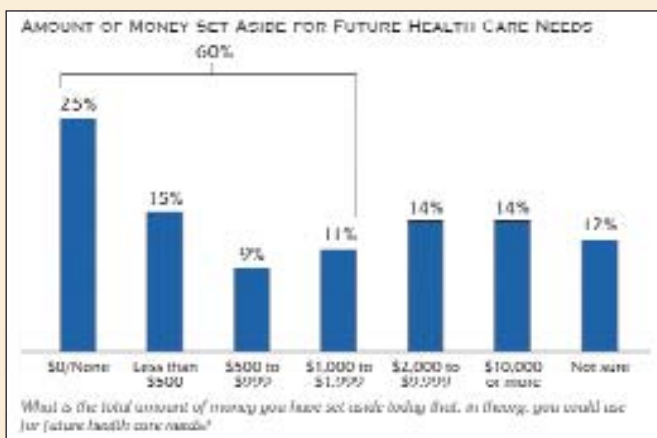
Consumers Harbor Misconceptions

Since many consumers are not engaged, they harbor misconceptions and misinformation. The survey indicates, for instance, that people blame rising health care costs on insurers (93%), hospitals (91%) and drug companies (90%). Only 70% think individuals have any responsibility. Additionally, 55% of respondents mistakenly believe that insurance companies set insurance deductibles and 62% think carriers determine doctor office copays.

Only 1 in 4 respondents thinks individuals are extremely responsible for controlling costs



1 in 4 consumers has set aside NO money for future health care needs



- 60% have saved less than \$2,000, while the minimum family deductible for an HSA is \$2,100 in 2006
- 25% say they are extremely likely or very likely to forgo planned purchases to meet health care expenses

Knowing Health Care Costs

Employers want employees to become more engaged consumers of health care but, according to the survey, 79% never learned the cost of a medical service or learned it only after they paid for it. So, not surprisingly, consumers were much better at guessing the cost of non-medical products and services than medical ones. Consumers could guess the cost of a new Honda Accord within five percent, the actual cost of a Bose Wave Music System within six percent and the average cost of a car oil change within 11%, but were poor at guessing medical costs. They were off the mark on the cost of an ER visit by 70%, an average four-day hospital stay by 61% and a routine doctor visit by 52%.

Consumers can guess the price of a Honda Accord within \$1,000 of the cost but they're off by \$12,000 for a four-day hospital stay

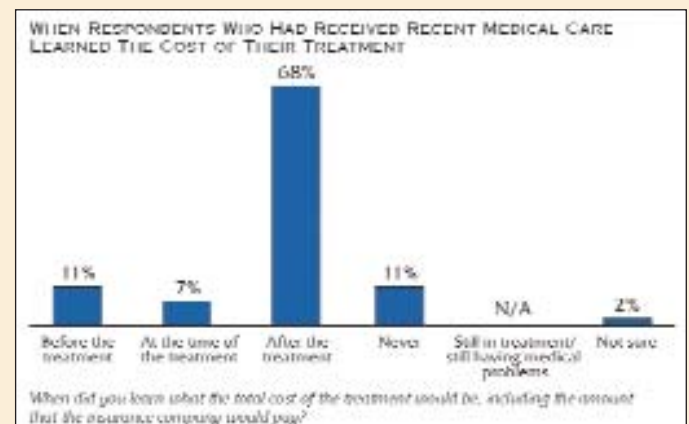
ESTIMATED AVERAGE COST FOR VARIOUS CONSUMER PRODUCTS AND SERVICES

PRODUCT/SERVICE	CONSUMER PERCEPTIONS*	ACTUAL COST	DIFFERENCE	PERCENT DIFFERENCE
New Honda Accord	\$20,420	\$21,500	-\$1,080	5%
Automobile oil change	\$28	\$25	+\$3	11%
Base music system	\$550	\$500	+\$50	6%

ESTIMATED AVERAGE COST FOR VARIOUS MEDICAL SERVICES

PRODUCT/SERVICE	CONSUMER PERCEPTIONS*	ACTUAL COST	DIFFERENCE	PERCENT DIFFERENCE
A routine doctor's office visit	\$95	\$700	-\$605	57%
An emergency room visit	\$600	\$400	+\$200	70%
An average 4-day stay at a hospital	\$7,762	\$20,000	-\$12,238	61%

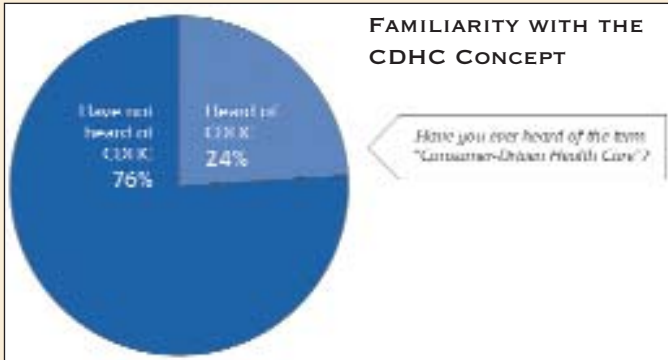
68% don't know the treatment costs until the medial bill arrives 11% never know the cost



* Mean estimated cost

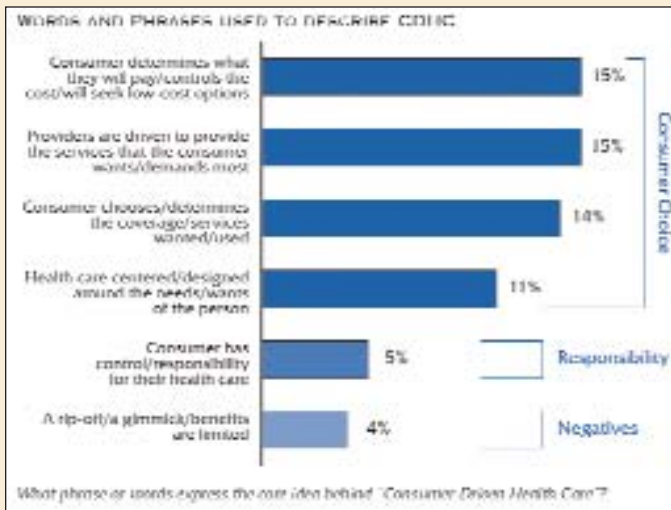
Sources: www.honda.com, www.bose.com, www.diynetwork.com

Only one-fourth of respondents were familiar with the term “consumer-driven health care”

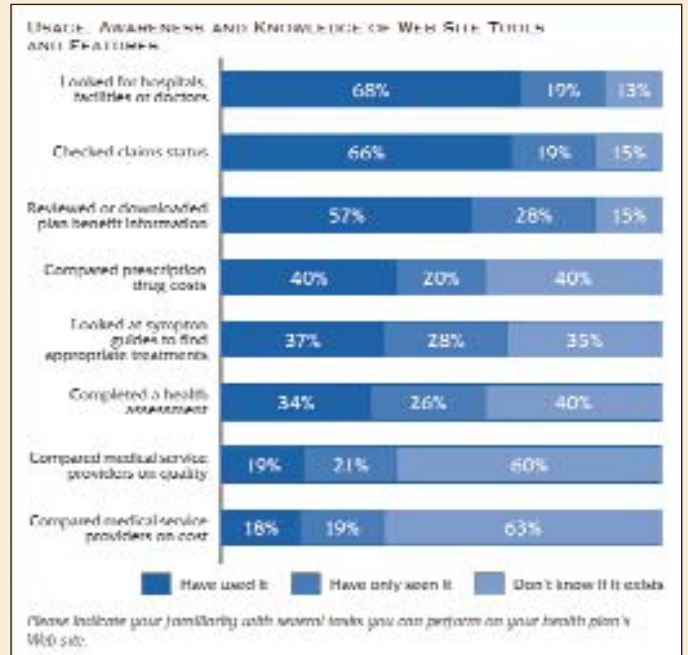


- Slightly more than a fourth of respondents used favorable terms, such as progressive and proactive, to describe employers who offer CDHC plans
- Only one in ten respondents used a negative term, such as cheap or cost-shifting, to describe employers who offer CDHC

Of the consumers who’ve heard of CDHC, many (55%) understand it to be “consumer choice.” However, very few (5%) mention the trade-off of “responsibility”

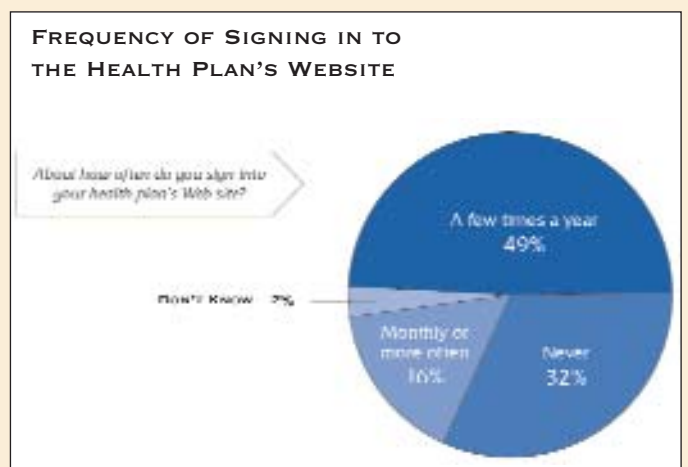


While online medical decision-making tools show great promise, many consumers still don’t know they exist



63% didn’t know they could compare medical services providers on cost

- Almost half of respondents say their employer offers a 24/7 nurse line phone number, but only 27% have used the service
- On the other hand, 18% said their employer offers cost comparisons among doctors/hospitals and 28% said they had used the tool
- 87% of consumers had seen or used a provider search tool on their health plan’s Web site



- half of respondents sign in to their health plan’s Web site only a few times per year
- An additional 32% never sign in

Attitudes Toward Wellness and Incentives

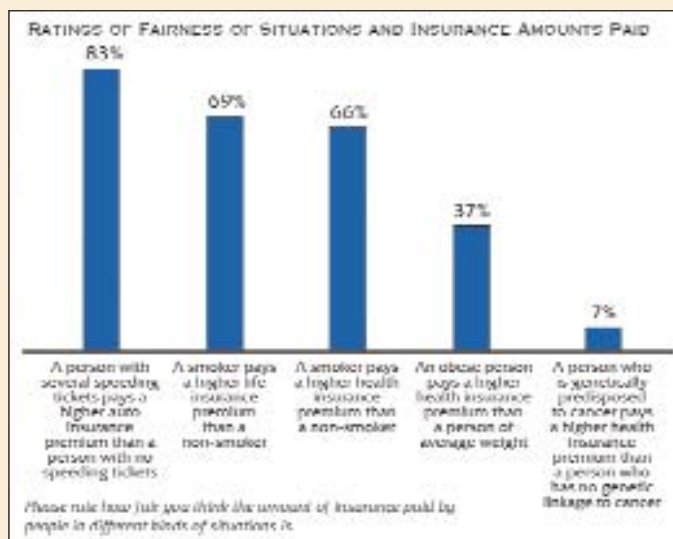
Survey respondents were somewhat more likely to engage in preventive care for their cars (98%) and homes (90%) than for themselves (83%). Plus, they had a better fix on where the nearest fast-food restaurants were (94%) than the closest urgent-care facility or gym or recreation center (82%).

“If you were told that you could have just one car for the rest of your life, you’d take very good care of it,” said Ver Straate. “By the same standard, we’re given just one body and yet we as a group could do much more to take better care of ourselves.”

So how should employers considering CDHC address these somewhat troubling statistics? One option might be incentive-based programs. The Great-West Healthcare survey says respondents prefer lower insurance payroll deductions (51%) or cash (44%) to gifts (two percent). To change behaviors, almost half noted they would floss or get a health assessment for \$10 per month, but nearly half said employers would have to pay them \$100 a month to quit smoking.

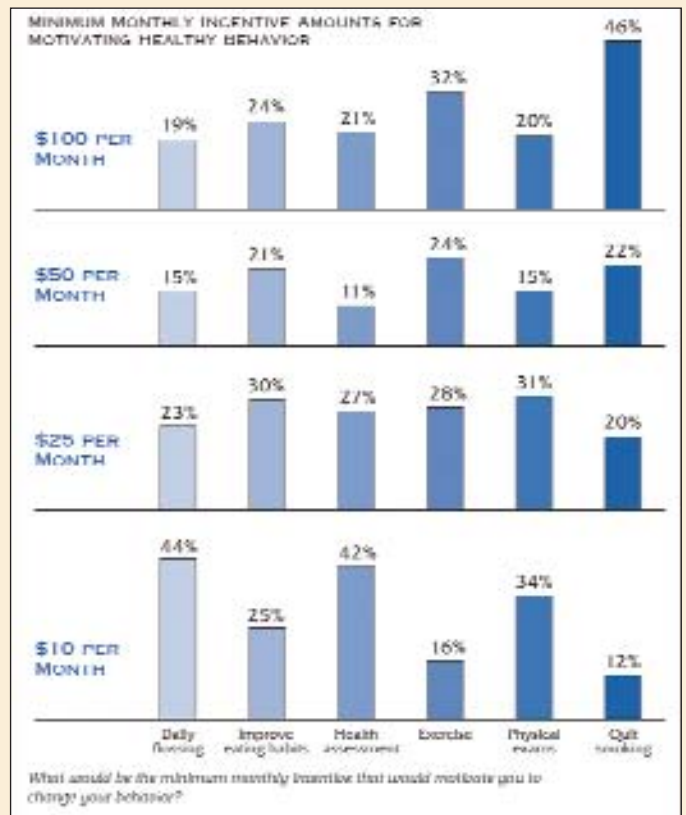
For disincentive-based wellness programs, the research suggests consumers are conflicted on the subject. Eighty-four percent said the way people drive should affect how much they pay for car insurance – good drivers should pay less, bad drivers more. But in the workplace setting, respondents were less supportive. Only 60% said lifestyle choices (e.g., smoking or eating certain foods) should affect how much one pays for employer-sponsored health benefits and 67% for employee life insurance.

Consumer support for disincentive programs varies with circumstances. Respondents supported higher insurance premiums for people who drive too fast (83%) or smoke tobacco (66%), but most oppose higher premiums for people who are overweight.



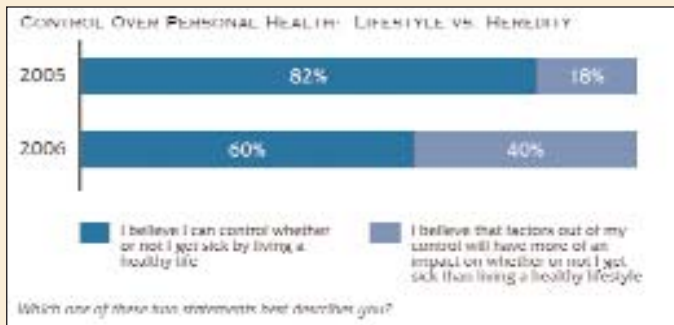
- 83% say a person with several speeding tickets should pay a higher automobile insurance premium
- Two-thirds said it's fair to charge smokers more for health insurance than non-smokers
- However, only 37% said it's fair to charge an obese person more for health insurance than someone of average weight
- Only one in 10 respondents said smoking should affect an employer's decision to hire or fire an employee, but 6 in 10 said smoking should cause employers to impose higher health care premiums.

42% of consumers would require only \$10 per month to complete a health assessment



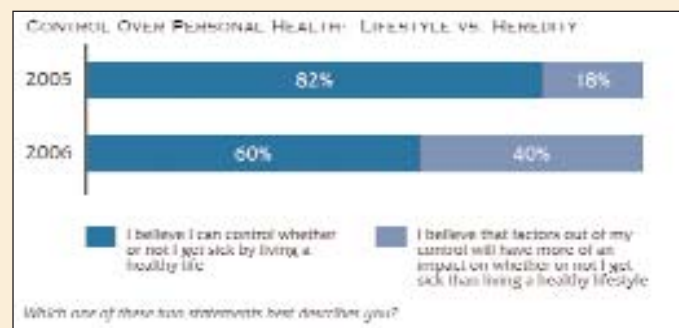
- Daily flossing is one of the least costly behaviors to incentivize—44% would adopt the behavior for \$10 per month
- Smoking cessation is one of the most costly behaviors to incentivize—nearly half (46%) said it would require at least \$100 per month to quit.

The number of people who felt factors beyond their control have more impact on their health more than doubled



- In 2005, 20% of respondents thought that individuals were extremely responsible for controlling costs. In this year’s survey, 25% said individuals were extremely responsible

Consistent in both surveys, nearly two-thirds of consumers learned their treatment cost after they received treatment and 1 in 10 never learned the cost



Survey Comparisons: 2005 vs. 2006

This is the second annual Great-West Healthcare audit of consumer attitudes toward health care and health insurance, and few attitudes have changed over the course of a year. In 2005, 18% believed factors out of their control would have more of an impact on whether or not they became ill than living a healthy lifestyle. In 2006, the figure more than doubled, to 40%. Additionally, 20% of respondents in 2005 believed that individuals were extremely responsible for controlling costs. In this year’s survey, 25% noted that belief.

Both the 2005 and 2006 surveys showed that consumers are far more accurate in estimating the cost of non-medical products and services (within 14% and 24%, respectively, of actual costs) than medical ones (within 40% and 46%, respectively, of actual costs). The number of respondents who saved no money for future health care needs declined from 39% in 2005 to 25% in 2006. Consistent in both surveys, two-thirds of consumers learned their treatment cost only after they received treatment, and one in 10 never learned the cost.

“The step toward consumer engagement in health care is similar to the evolution to 401(k) retirement plans,” noted Ver Straate. “When company-run pension plans were replaced with 401(k)s, employees became more responsible for investment decisions. But this transition didn’t happen overnight. It took many years for workers to become more knowledgeable and engaged in retirement planning. We expect the same evolution in health care—a gradual progression that will take time—and employers need to understand this reality.” ■

The Great-West Healthcare study was conducted online by Q & A Research, Inc., an independent marketing research firm. Complete survey results are available at www.greatwesthealthcare.com.



Where in the World is HIU?

Rufus Langley at the World Cup Fan Fest in Gelsenkirchen, Germany