evolution Benefits Consulting

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SPOTLIGHT

Market View & Opaque Transparency

THE MARKET

Bill Gates once said that we often over-estimate the change in three years and under-estimate the change in 10 years. While he was referencing technology, the same could now be said related to the employer-based health care market. We expect employee choice and responsibility to increase and employer "administration" to decrease. The question is whether it will occur in 3 years...10 years... We believe it will most likely be 2 to 4 years. The change will happen quickly, accelerated by the public exchange market forces and related laws.

There will be a paradigm shift in how employees select their plans, and then, once selected, how they use them. For our clients who have already embraced a defined contribution approach, we find employees will almost always purchase lesser-valued plans than employers were providing (i.e. employees will buy down when spending their own money – not an unsurprising result.). Historically employers may have placated employees with "rich" plans fearing the negativity and push back that would result otherwise. These rich plans lead to excess utilization, wasteful spending and higher cost increases.

Of course, this buy-down comes with a trade-off: higher member out of pocket liability at the point of care. In fact, EBRI just released data indicating that 28% are now enrolled in CDHP/HSA plans. We have worked with many of you in implementing higher deductible plans with the "promise" that either carrier or market programs will illustrate cost and quality information to members. While we are getting closer, there is still room to improve.

Here are some "real-life" examples that members of your Evolution Benefits Consulting team recently faced:

THE REAL WORLD OF TRANSPARENCY (WE WAIVE OUR HIPAA RIGHTS)

EXAMPLE ONE: *Recently I had a small growth removed from my back. It was not major, a 30 minute outpatient procedure, but my first real opportunity to test the cost/quality market information available. We have a HSA high deductible plan with a $3,000 deductible.*

So did I:

A. Blindly go into the procedure and pay whatever was charged thinking, "it's not my money," but then realized that it is?

B. Try to find out the total cost of care and shop for the best price?

C. Self-surgery?

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Answer: B. I called the surgeon and ask for a cost estimate, explaining my plan design and out-of-pocket requirements. I might as well have been speaking Klingon- she was not able to provide the cost. However, remembering the most important question to ask as it relates to quality, I asked if the doctor performs about 10, 100 or 1,000 of these procedures in a year (and confirmed I was not the first one). I was told that he performs hundreds each year- so from that perspective I felt better.

Sure enough, the next day I received call from the surgeon's office asking for a $500 deposit. They had noticed I have a $3,000 deductible and wanted money upfront before they were to proceed. I asked again if 1) this was the full cost and 2) did it include the facility charge and 3) anesthesia charge. Answer: I don't know, no and no. The next day I received another call from the facility asking for $350 for the same reason, but never heard from the anesthetist.

So now it has been over 30 days, I still do not have final charges, it was impossible to compare this simple procedure among alternatives and I think, "how similar to buying a car..".

In my exit interview with the doctor, I mentioned that his world is changing. For better or worse, he needs to be the accumulator of all pricing information and provide a summarized, all-in quote for his patients.

EXAMPLE TWO: My wife has had shoulder pain and needed to schedule an MRI. I encouraged her to try Aetna's pricing tool online. My wife is a nurse, so she was able to navigate the technology and select the correct MRI (without dye) – but I could understand if "normal" people may not understand their procedure code. Not surprisingly, the ranges of costs were $450 to $2,000 for basically a commodity.

My wife, being a nurse, called each and asked if the fee included the Doctor's reading charge. All but one were not able to confirm. The one that did confirm was the $450, and it did include the reading charge. As would be expected, they won our business and most amazingly, the Aetna EOB was actually $450.

Takeaways

Market forces will demand a change in access and accuracy of cost/quality information. It will take more members to question the efficacy and cost of care their physician recommends, and in tandem physicians need to be partners in their recommendations. There is a lot of potential to improve our health care system with more and more consumers participating in high-deductible plans, but the providers and the insurance companies need to put in the work to make it happen.