

***Communicating
Health Plan Changes,
Cutbacks and Consumerism***
...Including Consumer-Driven Health Plans

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**Americans are
the World's
Greatest
Consumers**

Homes
TVs
Boats
Clothing
Entertainment
Centers
Cars
Jewelry

Homes Americans are
Cars
TVs Greatest
Jewelry
Boats Consumers
Clothing Entertainment
Centers

Why Not Health Care?

One reason...
over the years,
we've told them they
do not have to be
good health care shoppers...
**they're spending the
insurance company's money!**

Look at the Communication Materials

- “The **insurance** company pays....”
- “Your **insurance** premiums are....”
- “Your **co-insurance** is....”
- “...on the **insurance** claim form....”
- Plus – the **insurance** company’s logo is on the booklet cover.

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“What’s all the fuss about rising health care costs?”

That’s why we have our medical insurance!”

Focus Group Participant

Will the new
consumer-driven
programs

– what should be called
Consumer-*Involved* –
fix the problem?

*Only if
we fix the
communication!*

What We'll Cover

- Tackle the biggest employee communication challenge most organizations face.
- Show the real value...not just the cost.
- Communicate “consumer-driven” a new way.
- Teach employees what good health care consumers do.
- Avoid techniques that don't work.
- Make your health plan a reward...again.

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**The challenges
of communicating
health plan changes,
cutbacks and
consumerism.**

Huge Communication Challenge

What employees say...

- **75% in self-funded plans believe they're spending an insurance company's money.** Medco Health Solutions
- Worse – many believe they *should use the benefits* so the insurance company cannot keep the money for profits.

Why is the fastest growing group using ER people with coverage?

Agency for Healthcare Research and Quality

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Huge Communication Challenge

What employees say...

- **66% do not believe health plan costs have a financial impact on their employer...the "health care costs are rising messages" do not work!**
- 62% say it's not appropriate for employers to increase what they pay for coverage.
- 85% say it's not appropriate to cut benefits.

Towers Perrin

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Overcoming the Challenges

Step One

**Explain the
business issues...
and the limited
choices available.**

Attention Employees:

Health costs are rising.

We are cutting your benefits.

Call the Insurance Company

if you have questions.

Health Plan Business Issues

Simple and clear... **but it misses key points**

- It's a business expense and business issue.
- It's not an insurance company's money.
- Plan's most important features (**which are rarely mentioned**) are not changing!
- Employees can help control these expenses. (79% do not believe they can.) Hewitt

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Health Plan Business Issues

Sources of Costs **must be balanced by** Sources of Funds

- | | | |
|--|--|--|
| <ul style="list-style-type: none">▪ Claims paid▪ HMO memberships▪ Administration (5% - 8%) | | <ul style="list-style-type: none">▪ Employer▪ Employees |
|--|--|--|

Reduce costs...

- cut coverage
- lower benefit amounts

These increase amount employees pay for services

Company has less for:

- expansion
- materials
- advertising
- pay

Or increase employees' cost to enroll

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Health Plan Business Issues

Why isn't *health plan* like other expenses?

Memo from the boss:

Our company's cost for *electricity* is out of control – skyrocketing five times faster than any other business expense! Every dollar we spend for *electricity* that is unnecessary or inefficient is a dollar we do not have for other business expenses such as production, marketing, or pay. These are dollars that we must add to the prices our customers pay. That is making us less competitive and hurting our sales. I need everyone's help in becoming more involved in holding down our cost for *electricity*.

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Health Plan Emotional Issues

It's the most emotionally sensitive issue facing the workforce

- Show empathy...tell employees the company knows the health plan is their most important benefit.
- Focus on plan's financial protection.
- Provide stories and examples of how they can become involved in helping control the costs...and ask for their help.
- Don't let employees feel like "victims."

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Overcoming the Challenges

Step Two

Do one of the most
important things you can
do with your benefits
...show **ME** the value!

Your **M**agnificent **E**mployees

High-performing employees want
to be **valued** by their employer
for their work contributions.

Health care communication should
help eliminate insecurity and
lack of appreciation...and
make employees feel valued...
not like a cost or expense.

Show them, "What's in it for **ME!**"

Treat ME as a Valued Employee - Not a Cost

Show ME the VALUE..

“One way ABCorp shows how it values the contribution you make to the company’s success is by providing an extraordinary high-level of financial protection through the ABCorp Medical Plan...coverage you have earned.”

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Treat ME as a Valued Employee - Not a Cost

Show ME the VALUE..

“Our Medical Plan assures that, in the fortunately rare occurrence, if you or an enrolled family member has extremely high medical expenses – for example, \$100,000 or even \$500,000 – the most you would pay out of your pocket in a year for services from network doctors, hospitals, and other facilities is **\$3,000.**”

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Treat ME as a Valued Employee - Not a Cost

Show ME the VALUE..

“Our Medical Plan provides you and each enrolled family member with \$5 million in financial protection from the potentially enormous costs of a catastrophic illness or injury during their lifetime.”

That’s the real value of the plan!

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Treat ME as a Valued Employee - Not a Cost

Show ME the VALUE..

“Our Medical Plan has protected our employees by paying: (follow HIPAA privacy rules)

- \$ 44,000 for a knee replacement
- \$ 360,000 for a kidney transplant
- \$ 960,000 for a premature baby

...and the most the employees paid out of their pocket in a year for network services was **\$3,000.**”

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Treat ME as a Valued Employee - Not a Cost

Do you focus on the wrong things?

• Deductibles and copays

- ✓ copays are an unfortunate plan design
 - makes doc visits cheaper than haircuts
 - many employees think that's full cost
 - "The company must hate us...doubled our prescriptions costs – from \$10 to \$20!"
- ✓ emphasizing the small costs implies the plan is intended to cover all costs.

• Cost to employer vs. value to employee

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Treat ME as a Valued Employee - Not a Cost

The cost is not the value

- "Last year, it cost the Company \$7,289 to provide your family's health insurance."
- Not bad...but not a "*we value you*" message.
- Can create mistrust and misunderstanding.

Look at your employees' medical claims

- 10%-15% have **no** expenses.
- 45%-55% have **under \$700**.
- 10%-15% use roughly **70%** of plan costs.

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Treat ME as a Valued Employee - Not a Cost

The cost is not the value

- 60%-70% of employees probably have less than \$1,000 in expenses...see why many of them don't believe health cost communication?
- Do benefit statements send a positive "*you are valued*" message to **ME**?...ask them.
- If putting price tags on things increased understanding, prices tags on art in museums would make us art connoisseurs.

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Treat ME as a Valued Employee - Not a Cost

Put costs into the big picture

"Last year, our Plan paid \$8 million in medical claims to protect our employees from major health care expenses...plus \$500,000 to administer the Plan. These expenses were paid with money the Company and enrolled employees contributed to our self-funded Plan. Of this, the Company paid \$6.8 million and employees paid \$1.7 million. The Company's contribution averages \$7,289 for each employee."

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Treat ME as a Valued Employee - Not a Cost

What *top-performing* employees say...

- Only 22% with rich benefits are satisfied where value is poorly communicated ...and turnover of top performers runs **17%**.
- 76% with less costly benefits are satisfied where value is effectively communicated ...and turnover of top performers runs **12%**

Watson Wyatt

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Treat ME as a Valued Employee - Not a Cost

Good communication improves satisfaction and reduces turnover of top performers

- Would the cost of better communication be paid for if you reduced turnover by just one or two top-performers?

Poor communication
is very expensive.

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Communicating Consumer-Involved Health Care Designs

Turning the Two Main Elements

*– a New Type of Account and
a High-Deductible Health Plan –*

***into a Positive Program
...and Turning Employees
into Savvy Buyers***

Is Consumer-Driven Health Care

A Fix or a Fad...

Good or Bad...

A Help in Controlling Costs?

Consumer-Involved Health Care

Is consumer-driven a fix or fad?

- Overall...a high-deductible plan (\$1,000, \$1,500 or higher) usually offered with an account with employer money. (\$0, \$500, \$1,000 or more).
- No standard design (within IRS rules)
 - ✓ 29% of employers now offer “consumer-driven plans” with accounts...33% more intend to do so in 2007. Watson Wyatt
 - ✓ an option or the only coverage offered?
 - ✓ rather lucrative benefits or stingy?

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Consumer-Involved Health Care

Is consumer-driven good or bad?

- **Yes**...depends on how designed.
(illustrative example)
- It could be **lucrative**
 - ✓ Employer’s HSA contribution: **\$2,700**
 - ✓ Plan deductible: **\$2,700**
 - ✓ Out of pocket max: **\$2,700**
(then plan pays 100%)

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Consumer-Involved Health Care

Is *consumer-driven* good or bad?

- **Yes**...depends on how designed.

(illustrative example)

- It could be **stingy**
 - ✓ Employer's HSA contribution: **\$0**
 - ✓ Plan deductible: **\$5,250**
 - ✓ Out of pocket max: **\$5,250**
(then plan pays 100%)

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Consumer-Involved Health Care

Does *consumer-driven* help control costs?

- **Probably**...depends on design and what employees do (studies under way).
- Key questions: Will employees...
 - ✓ spend the money wisely...as their own?
 - ✓ improve their health?
 - ✓ become better health consumers?
- Answers depend on plan design, communication, education, and personal interest and motivation.

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The big picture...a quick overview of:
Health Savings Accounts
Health Reimbursement Arrangements
Flexible Spending Accounts

*Could this be any more
confusing to employees?*

*Yes – when employers give the
accounts other names.*

Health Savings Accounts

Getting most of the attention.

Think IRA for health expenses!

Requires high-deductible plan.

Allows no restrictions on how
employees spend the money.

Big Picture of Health Savings Accounts

HSAs

- Require IRS-defined, high-deductible health plan (HDHP)...no other coverage or Flexible Spending Account can be paid before the deductible (IRS exception for 'preventive care').
- Like IRAs – all HSA money (real dollars) always belongs to employee – no “use it or lose it” rule, and it's invested.

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Big Picture of Health Savings Accounts

HSAs

- Allow tax-free:
 - ✓ contributions from employers, employees, or both,
 - ✓ reimbursements for IRS-eligible expenses, and
 - ✓ accumulation and investment.
- Employee can use HSA for *anything*...if for non-IRS eligible medical expenses, it's taxed – plus 10% penalty before age 65.
(always keep receipts for IRS)

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Big Picture of Health Savings Accounts

HSAs

- Contributions can be made only while eligible (have a HDHP, no ineligible duplicate coverage, etc.).
- Maximum total annual contributions can be up to the HDHP deductible (\$1,050 or higher) – but not more than \$2,700 (higher with family coverage).
- At age 55 or older, can make “catch up” contributions.

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Big Picture of Health Savings Accounts

HSAs

HSA money can used **tax free** for:

- All IRS-eligible expenses including over-the-counter medicine.
- Medicare and COBRA.
- Qualified long-term care insurance.
- Employer-sponsored retiree medical.
- Extra income at 65 (taxed as income).

...reasons to build up HSAs for the future.

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HSA's Offer Huge Advantages

Don't let management be surprised

- The positives are easy to see.
- Make sure executives are aware of the few "issues" before you implement HSAs.

It's unlikely...but it would be ugly.

[Exaggerated to emphasize the point...]

Channel 5 Breaking News

ABC Corp May Pay For Sex Changes

New ABC Corp Medical Plan Covers,
Sex Therapy, Abortions,
Swimming Pools, possibly Sex
"Reassignment" Surgery...plus Employees
Can Use Company Money
to Buy Big Screen TVs, Bass Boats,
or Anything They Want!

Details on News@6 p.m.

Health Reimbursement Arrangements

Worth a look.

Employers control the coverage.

What's unspent can remain the employer's.

Big Picture of Health Reimbursement Arrangements

HRAs

- Usually offered with employer-designed, high-deductible plan (no special IRS requirements).
- Employer contributions *credited* to HRA.
- No employee contributions allowed...but can be offered with Flexible Spending Account.
- Looks like an account...but not funded until benefit is paid.

Big Picture of Health Reimbursement Arrangements

HRAs

- Employer has more control over which IRS-eligible expenses to cover.
- Employees use HRA for tax-free reimbursement.
- Unused credits at year end can rollover.
- Credits can remain the employer's when employee leaves or retires.

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“Traditional” Flexible Spending Accounts

The “use it or loss it” account.

Big Picture of Flexible Spending Accounts

FSA's

- Employees contribute tax-free (rarely employers)
- Employees are reimbursed tax-free for IRS-eligible health care expenses.
- Employees' money not claimed within time limit for the year is forfeited – no rollover.
- Cannot be designed to pay “before medical deductible” with HSAs. (makes the HSA ineligible.)

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Creating a
Special Approach to
Communicating
Consumer-*Involved*
Health Care Designs

Consumer-Involved Health Care

Communication challenges

First...

- Most people:
 - ✓ won't buy high-deductible car insurance – why medical?
 - ✓ don't understand or use spending type accounts.

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Consumer-Involved Health Care

Communication challenges

Second...

- Creating savvy consumers out of people who – when it comes to health care – have probably never:
 - ✓ shopped for price
 - ✓ compared value
 - ✓ considered alternatives
 - ✓ evaluated quality

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Consumer-Involved Health Care

- The *consumer-driven* approach uses somewhat ***familiar components in unfamiliar ways***.
- It's an entirely new approach – plus ***it's upside down*** compared to what participants know.

Requires an entirely new approach to communication.

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Consumer-Involved Health Care

The main feature of the consumer-driven approach – the part every participant will use and needs to understand – is the *Account* (HSA or HRA).

**“Spend it like it's your money – because it is!”
...the power of consumer involvement.**

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Consumer-Involved Health Care

Communicating consumer-driven

- Because it's the most important element, **explain the Account first**
 - but participants will expect to hear about the plan first.
- In many cases, the Account will likely pay all health care for majority of participants.
- “Yes, you pay the full amount charged”... there are no “copays.”

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Consumer-Involved Health Care

Communicating consumer-driven

- Communicate the consumer-driven approach as a *program* made up of two parts
 - **always explain them together** – to turn the two elements into a positive.
- For HSAs, add a statement on enrollment form (paper or electronic) for the employees to acknowledge the HSA is not an employer-sponsored plan and is not covered by ERISA.
(check with legal counsel)

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Consumer-Involved Health Care

Communicating HSAs or HRAs

- Do not say, “...just like a Flex Spending Account – but different.”
- FSAs are not widely used, not understood, and infamous for “use it or lose it.”
- Comparison also misses key points...
 - ✓ it’s employer’s money (HSAs allow employee contributions...may not have employer contributions)
 - ✓ money stays in at year end – not forfeited

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Consumer-Involved Health Care

New communication approach

The biggest and most
important change...

from “insurance pays”...

to “you buy.”

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Consumer-Involved Health Care

“The Careful Buyer’s Health Program” ...Featuring Your Health Savings Account

During the year, ABCorp contributes \$1,000 (via monthly deposits) to your HSA **for you to buy** the IRS-eligible health care services **you decide are needed**. What you do not spend automatically stays in your HSA for you to use next year. If you have larger expenses, you are covered by ABCorp’s Major Cost Protection Plan...an IRS-defined High Deductible Health Plan.

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Consumer-Involved Health Care

ABCorp’s Major Cost Protection Plan ...Your Shield Against Huge Expenses

It provides protection from enormous medical expenses – up to \$5 million in benefits during the lifetime of each enrolled person.

You **decide how to spend** the \$1,000 ABCorp contributes to your HSA, plus any money you contribute, and any growth, **to help you buy** the first \$1,500 of eligible medical plan expenses (the deductible) for each enrolled person.

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Consumer-Involved Health Care

Consumer-driven approach changes the way all health plan options are explained

- In the display of all medical options*
 - ✓ show Account on top row of chart
 - ✓ show out-of-pocket and lifetime plan max for all options
 - ✓ mention Account money each time the high-deductible amount is shown

* Most popular communication tool – 86% say “very helpful.”
Hewitt

Consumer-Involved Health Care

<i>In the calendar year:</i>	Careful Buyers' Health Program	High Value Plan	Managed Plan
Health Savings Account			
Individual Enrollment	\$1,000	Not Available	Not Available
Family Enrollment	\$2,000	Available	Available
Medical Plan Features			
Lifetime Maximum	\$5 million for each enrolled person		
Calendar Year Deductible	use HSA to help pay first...		
Each person	\$1,500	\$250	\$600
Family maximum	2 times above	3 times above	3 times above
Most you pay after plan benefits start (your out of pocket max)	\$3,000	\$3,000	\$4,000

Consumer-Involved Health Care

Sample employee message points

- You know prices of TVs, cars, tires.
- Knowing price is key in being a smart shopper.
- Do you know the price of:
 - ✓ emergency room for non-emergency
 - ✓ brand name drug over government-approved generic
 - ✓ extra night in hospital

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Consumer-Involved Health Care

Sample employee message points

- New program gives you company money to buy health care you need.
- Buying health care is more important and challenging than TV, clothing, or a car.
- As you become more involved in purchasing your *non*-emergency health care, your consumer skills will grow – helping ensure the money is spent wisely.

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Consumer-Involved Health Care

Teach users to be consumers

- Clearly define your education strategy and measures:
 - ✓ what do “good consumers” need to know?
 - ✓ who will teach them?
 - ✓ what will they do with new knowledge?
 - ✓ how will success be measured?

Employees need a “job description” of what savvy health consumers do.

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Consumer-Involved Health Care

Don't let communication create cynicism through lack of clear expectations...

**We are introducing a
consumer-driven health plan.
You will need to become a
savvy health care consumer.
Please act accordingly.**

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Five Things Employees Should Know They Can Do to Reduce the Cost of Health Care...

Whether You're
“Going Consumer-Driven”
or Not.

Things You Can Do

1. **Stay healthy**...eat well, wear seatbelts, exercise, don't use tobacco and avoid unsafe activities...the best way to hold down health expenses is to not need health care.

Things You Can Do

2. Watch for problems...get checkups

(often available at low cost through the Health Plan) and attend to small health problems before they become serious and expensive to treat...if your cholesterol is high, your weight needs to be lower, or you find something suspicious, take action now.

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Things You Can Do

3. Look for value – effective outcomes

at a lower cost...call or email a health nurse before going to a doctor for a common ailment. Ask for government-approved generics rather than brand-name drugs and use mail order for on-going medications. Use “network” doctors, hospitals, and pharmacies that offer discounts.

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Things You Can Do

- 4. Help the treatment work**...tell your doctor about all your symptoms, past illnesses, and current medications and supplements to help avoid a misdiagnosis. Discuss the benefits and frequent side effects of proposed treatment and the possible alternatives. Then complete all the treatment and prescriptions you agreed to.

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Things You Can Do

- 5. Act like a real customer**...learn about your condition, become your own health care consumer advocate (but not your own doctor) and if you are not satisfied with your care or the prices, share your concerns with your health care providers.

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Things You Can Do

Use stories and examples to help employees understand when and how to be a health care shopper

- In emergency situations, be a life-saver – not a shopper.
- In non-emergency situations...here's how you can be a consumer-involved shopper.

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Things You Can Do

A visit to doctor's office for a runny nose

- For the 5-minute visit with the doc (after an hour wait) and a name-brand prescription ...around \$250.
- For a free call to a health nurse and an over-the-counter medication that often works as well...under \$10.

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Things You Can Do

A nasty fall off a bicycle

- For an ambulance ride and several days of hospitalization to treat a skull fracture and complications suffered by falling off a bicycle while not wearing a helmet...over \$25,000.
- For a car trip to an urgent care facility to clean up small cuts suffered by falling off a bicycle while wearing a helmet that absorbed the blow...plus some aspirin for the headache ...under \$175.

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Things You Can Do

Asking your doctor for a pill on TV

- The price for a brand-name drug that is often advertised...\$100 or many times that amount.
- The cost of an over-the-counter medication that your doctor tells you will probably work as well in your case...under \$10.

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Things You Can Do

A sore throat on a weekend

- A visit to an emergency room
...more than \$400 and a two-hour wait.
- A visit to an urgent care facility
...probably under \$120.

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Things You Can Do

Become a better health care shopper

- Knowing the price is a key step in becoming a wise health care consumer.
- The best way to find out the price is to ask...
“How much would this treatment cost if I was paying it myself?”
- Show that you are interested in cost-effective care and effective alternatives.

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Does Your Organization Act Like Health Plan Costs Matter?

Use Your Safety
Communication as a Model

The Need for Alignment

Say one thing (business/people strategy) and do another (benefits and HR actions) kills trust and prevents commitment



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Act Like Health Plan Costs Matter

If you say health plan expenses are a business problem, do you act like it?

- Put signs in company cafeteria to show content of food...why offer poor food choices?
- Remove high-fat snacks and candy from worksite.
- Explain how wellness programs help control health plan costs.
- Post signs in smoking areas showing the plan's cost for tobacco-related illnesses.

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Act Like Health Plan Costs Matter

If you say health plan expenses are a business problem, do you act like it?

- Conduct health assessments and stop-smoking programs.
- Have health care professionals conduct onsite workshops.
- Put consumer updates in employee newsletter
 - prices charged for services and Rx
 - success stories

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Act Like Health Plan Costs Matter

If you say health plan expenses are a business problem, do you act like it?

- Point-of-use reminders...at that moment.
- Wallet cards: things to ask your doctor:
 - for generic or non-prescription medicine
 - if similar, less expensive name brand would work (list possible exchanges)
 - for mail order Rx for long-term medications
 - about side effects and foods/other medicines to take or avoid
 - how to avoid condition in the future

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Summary

**Better Communication
Adds Real Value**

Summary

- Use skilled employee communicators who are also benefit content specialists.
(you can't explain what you don't understand.)
- Test them on-the-spot – don't assume:
 - ✓ communication consultants know content.
 - ✓ content specialists (such as benefit administrators) are skilled employee communicators.
- Require good outcomes – higher satisfaction and better understanding...and test for it.

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Summary

- Make health plan costs a business issue.
- Show **ME** the value.
- Talk “buyers”...not insurance.
- Communicate a consumer-driven “program.”
- Teach employees what good consumers do.
- Use communication techniques that work
- Make benefits a reward...again.

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About Dennis Ackley

Dennis Ackley, president of Ackley Associates, Lee's Summit, Missouri, is a nationally recognized thought leader in benefit communication and retirement education. He creates communication programs for employers of all types and sizes. Mr. Ackley has more than 20 years of consulting experience at firms including Watson Wyatt and Towers Perrin, and he was VP of Participant Services at JPMorgan/American Century for two years before starting his own firm. His award-winning communication programs have reached roughly three million employees at hundreds of the country's largest employers on topics such as health care, retirement, investing, and incentive compensation. He has been at the forefront of consumer-involved health communication – conducting seminars and preparing Health Reimbursement Arrangement and Health Savings Account communication programs. Before becoming a consultant, Dennis spent six years in educational research. He has written more than three dozen articles (Internet search "Dennis Ackley benefits") and has been a featured conference speaker for The Conference Board, Benefits Management Forum, WorldatWork, Profit Sharing/401(k) Council, Pensions and Investments, WEB, CEBS, and many others.