

## Benefit Fact Sheet

### What is it?

Consumer Driven Health is a broad definition incorporating several health care strategies that heighten consumer awareness of the cost and utilization of healthcare services through plan design incentives. In practice, Consumer Driven Health could encompass any or all of the following strategies:

1. Modifications to traditional HMO, PPO and POS benefit plans using plan design elements such as high deductibles, coinsurance replacing copayments and enhanced preventive care benefits to incent plan participants to take a more vested interest in the cost and frequency of services utilized.
2. Tiered Networks within an HMO, PPO, or POS network where participants pay higher co-payments or coinsurance when using higher cost providers.
3. Health account-based plan where a tax-advantaged account (a [Health Savings Account](#), [Health Reimbursement Account](#), or [Flexible Spending Account](#)) is combined with a Consumer Directed Health Plan (CDHP, a high deductible HMO or PPO plan to empower the plan participant with greater flexibility and financial responsibility in accessing care. Unlike FSAs, unused balances in Health Savings Accounts or Health Reimbursement Accounts may be rolled over into subsequent plan years.
4. Information systems (web and voice) that provide consumers with greater price transparency in purchasing care along with tools to make informed and prudent decisions about accessing health care services.
5. Provision(s) within a plan or an employee contribution strategy where the plan sponsor makes a Defined Contribution toward all or a portion of the cost of benefits. Defined Contribution can have many interpretations as it's applied to health care. (Click here for more information on [Defined Contribution Health Plans](#).)

### Why offer it?

- Offers greater choice and empowers employees to select the plan that most closely meets his or her needs.
- Incentivizes employees to become more involved in making economic decisions about the utilization of health care resulting in more educated purchasers demanding lower cost and higher quality service from their providers.
- Addresses cost and access problems within the current health care system by providing a lower cost option that permits open access to any provider.
- Most plans encourage employees to maintain good health by providing first dollar coverage for preventive care services and additional wellness services.

### What types and size of employers offer it?

A variety of employers are implementing strategies that are in some fashion consumer driven.

Health account based CDHPs are available to employers of all sizes. These plans are often available as an option alongside traditional HMOs and PPOs, although some employers are replacing their traditional medical plans with CDHPs. An increasing number of health insurance carriers and employers began offering CDHPs during 2005.

The current California HealthCare Foundation Survey indicates that 38% of large companies (200+ employees) are offering a HDHP. In California, enrollment in eligible HDHP plans with Health Savings accounts have increased by more than 20% between 2007 and 2009. At the national level, employers are 19% more likely to offer an HDHP plan than in 2005.

### What are the critical underwriting or participation requirements?

- Varies by employer size and vendor. Adverse selection, where healthy employees move to consumer driven plans, while high utilizers stay in more traditional plans, is a significant concern.

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### How much does it cost?

Cost will vary based on a number of factors including plan design, demographic factors and/or plan experience, and cost sharing strategies.

### Informational link(s)

- [Consumer-Driven Health Plans Have Low, But Growing, Enrollment](#) (modernmedicine.com)
- [Studies Quantify Savings with Consumer-Driven Health Plans](#) (Society for Human Resource Management)
- [Employers Take Further Steps to Rein In Health Costs](#) (Society for Human Resource Management)

### Pros

- Potential for lower plan cost
- Rewards efficient purchasing/consumption
- Allows significant flexibility for participants
- Highest users pay highest cost
- Lowest users can accumulate "nest egg" in health accounts that can be used for post-retirement healthcare

### Cons

- Immediate cost reduction often requires full replacement
- Adverse selection potential and delay of needed care could increase total costs
- Health care industry is not fully enabled for consumers
- Communication challenges

This Fact Sheet is designed to provide a general overview of the benefit program, service, or regulatory act it describes. The information included in this document is not a substitute for legal or professional opinion relative to a plan sponsor's particular fact pattern. Your ArlenGroup consultant can answer more specific questions relative to its application for your organization. A menu of additional topics is available online at: [www.arlengroup.com/facts](http://www.arlengroup.com/facts).