



Special Report September 17, 2007, 12:01AM EST text size: [TT](#)

CDHPs: No Rx for Health Care

Consumer-directed health plans look good on paper, but the financial burden on plan members is too high and incentives for preventive care are sorely lacking

by [Joseph Paduda](#)

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Consumer-directed health plans (CDHPs) have garnered a lot of attention lately, in part because advocates see their emphasis on consumerism as a potential solution to health care's cost crisis. The concept behind CDHPs is simple: People will be more careful

about choosing which health-care services they buy if a big chunk of the dollars comes out of their own wallet.

CDHPs, which combine super-high-deductible health plans with private Health Savings Accounts (HSAs), allow members to set aside funds in tax-deferred HSAs and use those funds to pay deductibles, which run more than \$1,000 annually for a single person, or \$5,000 for a family.

Although CDHPs started out with a bang, they haven't grown much over the last year. Of all workers in employee health plans, the percentage enrolled in CDHPs went from 2.7% in 2006 to 3.8% in 2007, a statistically insignificant increase. One reason for the plateauing of CDHP growth may be employers hearing horror stories from employees about the myriad issues with CDHPs: no money in the deductible kitty, providers refusing to discuss price or negotiate post-treatment, health plans refusing to require providers to accept negotiated contract rates.

Newness Not the Only Deterrent

Or they may think CDHPs don't effectively control costs. Surveys indicate just 4% of large employers think CDHPs are "very effective" at controlling costs, compared to 15% of small ones. Surveys further show that, among individuals with high-deductible plans, 44% are not likely to recommend them to others, compared with 19% of those with traditional health plans; 37% are not likely to stay with their plan if given another option (13% for those with traditional plans); and only 37% are very or extremely satisfied, against 67% of the folks with traditional plans.

While some of these issues can be chalked up to the newness of CDHPs, there are three fundamental problems with CDHPs that potential buyers would be well-advised to consider before signing up.

The first is the deductible. Funds that are put into the HSAs are tax-deductible and thus can reduce buyers' tax liability. And some employers help fund their workers' HSA accounts, but many do not. In fact, less than half of all accounts have any money in them.

The problem is obvious: The member is liable for the entire deductible amount, which is more than \$5,000 for a family. Unless the employer is helping to fund the account, many workers are hard-pressed to come up with that kind of cash, which is why more than half of those with CDHP plans are not satisfied with out-of-pocket costs.

Information Withheld from Consumers

The second issue goes to the heart of the consumerism concept. To be a smart consumer, one has to have information on pricing, quality, and results. Not only is this information sorely lacking, much of what does exist is complex and difficult to understand, requiring a good bit of in-depth knowledge of health-care terms and procedures. While a few

CDHP sponsors have developed tools for members to assess costs and evaluate providers, most have not.

There is a deeper, darker issue that CDHP advocates have all but ignored: Insurance companies will rarely tell members what specific providers will get paid for specific procedures, claiming this is proprietary and secret. And most providers won't (or can't) tell their patients either. That pretty much defeats the core concept. It is mighty hard to be a good consumer if you can't find out what you'll have to pay for specific procedures.

Finally, CDHPs are supposed to encourage people to take better care of themselves—get regular checkups, monitor their blood sugar levels, take their blood pressure medication—and thereby avoid costly (and painful) hospitalizations and surgeries.

Postponing Doctor Visits

Here again, the statistics show the opposite happens. A RAND Corp. study concludes that when individuals are required to pay more for prescription drugs, they don't take them as they should. As far as drug co-pays go, increasing consumers' costs actually drives up total medical expenses. It's not a great leap to think individuals with high deductibles will likely wait before scheduling an appointment with their physician to see if a problem just goes away on its own. That often leads to higher costs as the patient's medical condition worsens and grows more difficult to treat.

Requiring people to share in the cost of their care should be a part of any serious reform effort. The fix for CDHPs is relatively simple: Get rid of high deductibles, which are unaffordable for many and may well discourage preventive care, and replace them with co-pays per service to ensure patients have some financial skin in the game. Insurance companies should keep an income-indexed out-of-pocket maximum, while covering preventive services and maintenance medications at very low co-pays to encourage their use.

Until those fixes are in place, wise consumers are advised to shop very carefully for CDHPs.

Based in Madison, Conn., Joseph Paduda is a national health-care expert who works with insurers, managed care organizations, and employers to reduce the costs of health care. Currently principal of Health Strategy Associates, he previously held executive positions with major insurance companies, including United HealthCare and Travelers. Paduda also writes a health-care blog, ManagedCareMatters.com, and is a founder of HealthWonkReview.com, a biweekly collaborative blog on health-care policy. He can be reached at 203 314-2632 or jpaduda@healthstrategyassoc.com.

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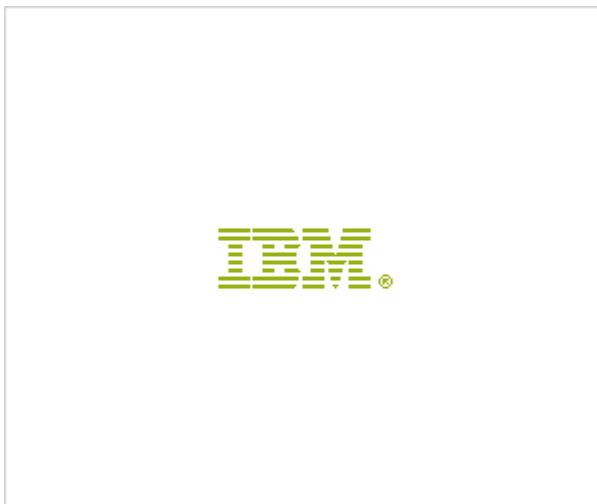
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