

A warning on consumer-driven plans

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If widely adopted, consumer-directed health plans (CDHPs) will cause a major shift in the healthcare insurance industry similar to the impact felt by the emergence of HMOs, according to a new study by Conning Research & Consulting, Inc.

According to the study, "Consumer-Directed Health Plans -- Hoped for Results and Unintended Consequences," supporters argue they have the answer to the unrelenting increase in the cost of health insurance premiums. Mass adoption of this concept will introduce a new product cycle to the health insurance industry that moves the cost of coverage from the employer to the employee. However, the full consequences of this shift are difficult to predict, according to Conning.

"Decisions about care for the CDHP patient may increasingly involve personal finances rather than quality of care or prevention," said Robert H. Booz, the principal author of the study. "Individuals covered by CDHPs may delay or forego needed care out of fear of exhausting their health savings."

The CDHP design tackles the employer's problem of the escalating cost of employee health insurance. It shifts health insurance from the "supply side" controls of managed care, which limits direct access to medical care providers (suppliers), to "demand side" limits by shifting costs to the employee to reduce the pressure for services. In this change alone, the emergence of CDHPs is as significant in its presence as the development of the HMO concept was to the emergence of managed care.

"The large, publicly traded managed care companies have all announced CDHP product offerings," said Booz. "Some have said CDHP penetration could be as great as 50% in the next five years. They should be very careful of what they wish for; CDHPs could have effects far different than they anticipate. CDHP products carry less risk for the insurance company; which should ultimately lead to lower premium revenues over the long run." This is just one of the unintended consequences mass CDHP adoption may produce, according to the study.

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