

CASE STUDY:

HEALTH PLAN DESIGN LOWERED HEALTHCARE PRICING TREND

OPPORTUNITY

A new client had experienced years of high renewal increases on their fully insured health plan. Rate increases had ranged from 20% to 35% every year. Despite these exorbitant rate increases, the insurer was still paying out more dollars in claims each year than the dollars they were receiving from the client each year in annual premium. The largest cost driver was prescription drugs. The top category with the largest number of prescriptions: cardio vascular (specifically: cholesterol, high blood pressure).

BACKGROUND

The new client had always offered their employees traditional HMO and PPO plans, with low medical and prescription drug copayments. 85% of this employee population earns no more than minimum wage. 25% are not fluent in English. Average education level: high school diploma.

DESIGN CHANGES

In 2010, the client agreed to add a Qualified High Deductible Health Plan (HDHP), enabling the employee to open and use their own Health Savings Account (HSA). The Qualified HDHP was added as a fourth plan choice, alongside the other traditional HMO and PPO plans. Only employees who elected to enroll in the HDHP could open and use an HSA (per IRS regulations, Health Savings Accounts cannot be opened or used by anyone enrolled in a traditional health plan). The HDHP annual deductible was \$1,250 for employee-only coverage and \$3,000 for an employee enrolled with one or more dependents. Since this was a Qualified HDHP, the insurance coverage did not begin until the deductible was paid down. The premium for the HDHP was lower than any other plan on the menu.

In 2011, the employer began contributing to the Health Savings Accounts with the money saved by paying lower premiums. The employer contribution was \$312.50 per quarter. Since 2012, the employer contribution is holding steady at \$250 every six months.

In addition to adding a Qualified HDHP and contributing to Health Savings Accounts, the employer launched a healthy lifestyle campaign to educate and support healthier eating habits and daily exercise.

IMPLEMENTATION

An effective communication campaign about the HDHP and Health Savings Accounts was vital to increase employee participation and employee satisfaction. Communication was simple and relatable. We used many forms of communication and outreach, including: group meetings, one-on-one meetings, web-based on-demand presentations, employee testimonials, handouts and posters. Visual aids and simple illustrations were incorporated.

RESULTS

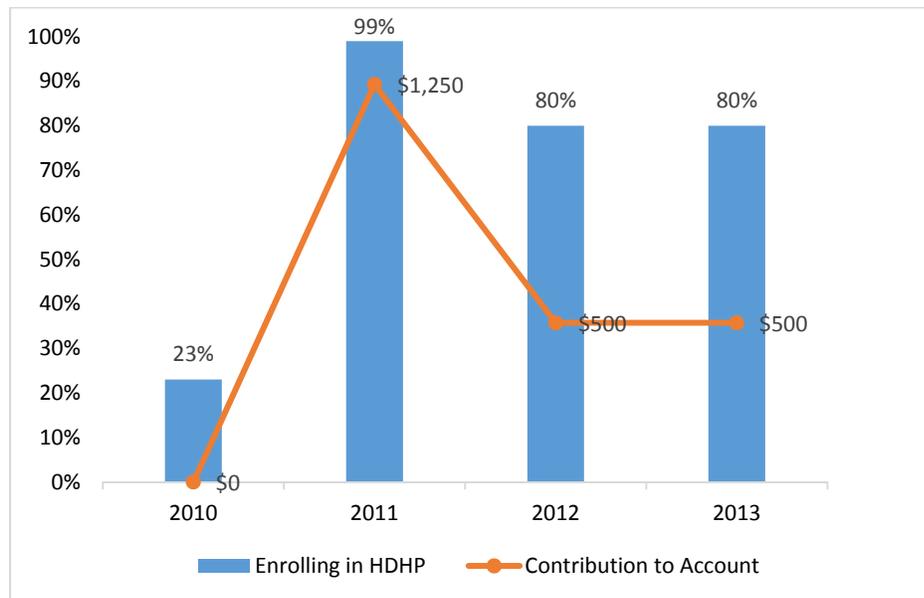
Percentage of employees enrolled in HDHP (versus traditional plans offered):

2010: 23% (no employer contribution to Health Savings Accounts)

2011: 99% (employer contributed \$312.50 per quarter to each Health Savings Accounts)

2012: 80% (employer contributed \$250.00 every six months to each Health Savings Account)

2013: 80% (employer contributes \$250.00 every six months to each Health Savings Account)



Annual Health Plan Pricing Trend*:

2010: Underwriter issued an initial increase of 34.80%. Negotiated increase: 19.5%.

2011: Underwriter issued an initial increase of 22.81%. Negotiated increase: 19.90%.

2012: Underwriter issued an initial increase of 15.00%. Negotiated increase: 10.00%.

2013: Underwriter issued an initial increase of 12.64%. Negotiated rate increase: 7.00%.

***Insurer based required premium on medical and prescription drug plan utilization, as well as the increasing costs of medical care (doctor fees, new equipment, new drugs, etc.).**