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GROWTH STRATEGIES

On the other hand...

Employers weigh costs, benefits of traditional vs. high-deductible health plans

BY LOLA BUTCHER / STAFF WRITER

Quick: Whom do you admire most: Andy Griffith, who could solve any fix Opie got himself into, or Archie Bunker, who not so secretly wanted Meathead and Gloria to take more responsibility for their lives?

Your response might help you figure out the answer to another question: Is a high-deductible insurance plan — the so-called consumer-directed plans being heavily promoted this year — right for your company?

Where a company lands on the philosophical continuum will determine how quickly it embraces the changes in employer-sponsored health care — or how long it maintains the status quo.

Traditionally, employers have striven to offer the richest possible health benefit plans, a trifecta of high coverage levels, low employee premiums and low out-of-pocket expenses. After several years of double-digit premium increases, however, most employers have become accustomed to cost-shifting through incrementally higher employee premiums, deductibles and co-pays.

But in the past two years, high-deductible plans have burst onto the scene, giving employers the option of lowering monthly premiums by offering a high-deductible plan that requires employees to manage health care spending. At the same time, the

HAND: Savings appeal, but change does not

CONSUMER-DIRECTED HEALTH PLANS CATCH ON QUICKLY					
YEAR:	2002	2003	2004	2005	2006
COVERED LIVES:	80,000	370,000	1.2 million	2.4 million	7-10 million*

* Towers Perrin estimate

SOURCE: Inside Consumer-Directed Care, published by Atlantic Information Services Inc.

plans transfer a great deal of financial risk and responsibility to employees, an option that would have been unthinkable for most employees even a few years ago.

No longer unthinkable, consumer-directed plans are the hottest thing in health care. Since their introduction in 2002, high-deductible plans have penetrated the market at twice the rate of HMOs when they came on in the 1980s.

Ron Dutton, owner of RJ Dutton Inc., which designs benefit plans for big employers nationwide, including Shawnee Mission Medical Center and Liberty Hospital, said high-deductible health plans cost employers roughly 15 percent less than low-deductible plans. That puts the topic on every company's radar screen.

"Virtually every employer asks the question," Dutton said.

But the comfort level ranges all over the board. Randy Sinclair, a broker at Heartland Employee Benefit Services, has been promoting high-deductible health plans in combination with tax-advantaged health savings accounts since HSAs became available last year.

"I hear everything from 'This would never work at our company — our employees are too spoiled' to 'We've seen the light. This is the only thing that we will offer, and employees better get on board,'" Sinclair said.

Kelly Lathrop, director of benefit programs at Axcet HR Solutions, counsels clients to think through their philosophy about employee benefits and design their plans based on their values.

Axcet is a professional employer organization that serves as the benefits and human resources department for a wide range of area clients, mostly companies with fewer than 100 employees.

"Own your philosophy," Lathrop said.

She offers this strategy for figuring out that philosophy — and its consequences:

• If keeping premiums low is your top priority, accept that coverage limits will be reduced.

• Are you coverage-focused? If offering a rich health benefit is your top priority, accept that it will cost a higher percentage of payroll — and employees also may have higher premiums.

• Do you think employees should take more responsibility for health care costs and decision-making? You will have to "re-teach" them how when you replace managed-care coverage with a high-deductible plan.

Managed care completely backfired, Lathrop said, referring to its theoretical underpinnings, which suggested that first-dollar coverage would improve health and lower long-term costs.

"It taught people to go to the doctor for everything," she said.

Until this year, Axcet offered clients two plan choices — a PPO and an HMO — but this year it added a high-deductible plan with lower monthly premiums in exchange for more out-of-pocket expense from the employees.

Although they vary widely, consumer-directed plans frequently carry a deductible of at least $1,000 for an individual and $2,500 for a family.

For this year at least, the vast majority of Axcet's clients passed up the chance to lower premiums with a high-deductible plan.

"They get kind of paternalistic, but they are taking something away from their employees, and that is higher wages," Lathrop said.

Judy Shorman, an Axcet client, owns Shorman and Associates, which helps clients manage health care costs by reviewing medical bills before they are paid and by precertifying services. Like many small business owners, she struggles to decide what is the best choice for her company — and her work force.

Shorman would like to offer a choice of plans to her 95 employees, so some could choose more expensive, richer coverage while others could go for a less expensive high-deductible option. But because her firm has fewer than 100 employees, insurers don't offer that flexibility, and she isn't ready to foist a high-deductible plan on everybody.

"I'm concerned about making the transition," she said. "I'm reluctant to do anything that would impact my employees and take them by surprise."

Dutton, in the benefits business since 1984, said Shorman is right to move slowly to a high-deductible plan.

"You're going to have a morale problem if you move too fast," he said.

He also said employees may resent the common practice of presenting high-deductible plans as attractive because they offer more choices to employees than HMOs.

"I do agree conceptually with where we are going with a more balanced cost-sharing between employee and employer," he said.

But the terms "consumer-driven" and "consumer-directed" bother him.

"I think it's not being marketed honestly," he said. "Health care consumers didn't speak out and demand to anyone that they have their deductible raised to $1,000 from $250."

He advocates, wherever possible, offering choices that let employees choose a comfortable combination of premium levels and deductible exposure.

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Heartland's Sinclair said the best approach is to offer a high-deductible plan — with a health savings account, a tax-advantaged account that employees can use to pay for their deductible costs.

In addition to the tax advantages (including tax-deductible contributions and tax-deductible growth if the money is not spent), HSAs are portable, meaning they stay with the worker if he or she changes jobs in the future.

Sinclair said it is the employer-sponsored health care model of the future. It's also the model of the past, back before the managed-care movement, but in his opinion, it's better.

"I think we're going full circle — we will provide catastrophic coverage and a great vehicle to soften the blow," he said.

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