

Outlook for 2007

VOLUNTARY CONSUMER BENEFITS

Back to the Future with Consumer-Directed Health Care

"If you live long enough, you'll see everything twice."
—Mark Twain

As a 30-plus-year veteran of the employee benefits industry as a carrier rep, service provider and business consultant, the quote above describes exactly how I feel as the hype for consumer-directed health care builds every day.

The buzz in the early 1980s around managed care, and especially HMO's, was that they were going to save the world. The evolution of "mismanaged care" brought us PPO's in the 1990s and put us where we are today looking into 2007 and beyond.

The only prediction I can make is that things are going to change and change radically over the next three to five years—more so than any time in my career.

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That being said, my goal is to give you some practical ideas to help assure your organization's success as "CDHC," or defined contribution benefits, evolves.

Fact—Consumer-directed health care has little to do with the consumer. Even if you could wave a magic wand and change consumer behavior, the system itself would still be broken.

We all are hearing the terms HSA, HRA, mini meds, gap plans, voluntary benefits, et al, and the tendency is to want to jump at anything that looks like it can save money. Finding a middle ground is usually the best solution in any endeavor.

The reality is that today, no matter what the surveys and articles from carriers tell you, CDHC is barely a blip on the radar screen. Why? Too much radical change is being asked of the employee at one time. The hybrid PPO evolved from people's reluctance to give up their own doctors and join HMO's. Alternatives like this to a full-blown high-deductible HSA plan are going to have to evolve for employees to embrace it openly.

I am cautious when it comes to anything where a pendulum swings wildly from one side to another. This transition is going to be more complicated, more difficult and involve many more elements than that evolution.

Also, once again, the term "universal health care" is being tossed around, and the role of politics in impacting change is going to be a bigger driver this time as many states are trying to follow Massachusetts' lead and do something to provide broader coverage.

One thing is nearly certain—you will be impacted by this somehow, and your actions should reflect it.

What really concerns me are the stories I hear every week of companies that have jumped into HSAs with little planning, poor communication and no funding for the HSA account. That effort demoralizes employees and works at cross purposes with their overall strategies to attract and retain quality talent. You can't afford to lose people and productivity because of a sudden shift in how your company delivers the benefits component of compensation.

This new world presents opportunities for benefits and HR professionals to really step up to a challenge that is critical to their organization's long-term success. Staying well-informed on a daily basis, not weekly or monthly, and getting your arms around these moving pieces is your responsibility.

If you already have accomplished the items detailed below in your organization, my hat is off to you, but my experience in working with employers in the fewer than 5,000 employee market over the past few years is that precious few have.

The first step in our plan is to truly empower your employees to deal with today's world. If they can't easily navigate today's programs, how will they be able to deal with more complex ones? The three major elements to do that are:

Cost Containment—This may sound obvious, but are you taking full advantage of all the tools available to cut your costs and those of your employees before asking employees to shoulder a new burden? Until you truly can show your employees that you have done everything within your power to address today's cost situation, asking them to pay more and do more is going to be difficult.

Medical and dependent care flex accounts are sorely underutilized (less than 33 percent) even when they are present in a company. The value of pre-tax premium and benefits and dependent care expenses is significant for an employee at any job level.

Claims Eligibility Auditing—Have you looked at the potential savings from this emerging area? More and more brokers, consultants and independent firms are offering these services, and the yields can be significant, especially if your processes are still primarily paper-based.

Self Service—By using today's employee self-service platforms you can cut your annual administration costs significantly. While carriers often provide this for their products, you need one solution that delivers personalized information to all your employees for all their benefits. Electronic enrollment and backend file exchange with your carriers gets your eligibility files in synch and can save anywhere from 2 percent to 8 percent of premium, according to one national study.

At renewal, require your carriers to subsidize your costs since you are saving them money as well. You'll be surprised at how often they will pay at least something of your costs.

Communication—You need a solid integrated platform for communication and administration to better serve employees. Simple communication portals will not solve your long-term problems. If you are using one, think about transitioning to a platform that truly integrates communication and transactions.

Without this solid platform combining communication and transactions, how can you expect employees to manage HSA's online, use debit cards, use online wellness and health management tools, comparison shop for health care or access new products like voluntary? You can't.

Having one integrated portal for an employee to access his or her health care and benefits is a critical infrastructure element and pillar for future success. Ninety percent of 401(k) transactions occur online today. Why? Because the vendors provide one comprehensive portal for employees to use. The same is happening with health care—tools aren't going to be offered on paper; they are all being offered online.

All three of these elements share one critical common theme—enabling and empowering employees to take more responsibility for their benefits and health care decisions.

Getting these in place and getting employees comfortable with using them gives you a platform for future changes from a plan design, mandated benefits, new product offering, and overall corporate communication and behavior perspective.

I am sure you have noted that I have not spent a lot of time talking about new products like voluntary benefits, et al. The reason I have not is that the future challenge that companies face is not a product problem but having a delivery system flexible enough to communicate and administer whatever programs the marketplace offers to employers and consumers. If your organization has that,

then the evolution of choices you want or need to make are much easier.

Here are a few observations on ideas I see in the marketplace that I think make sense today and for the future:


Dental/Vision Discount Cards—This is a quick and inexpensive program to add as either a new voluntary option or as a replacement for terminating insured coverage. I know of one very large account that implemented one of these programs after terminating their insured plans and had higher participation in a fully voluntary program because it actually paid more and offered the employee more flexibility. Careington is a good source for these types of programs.

Debit Cards—This may seem like old hat to you, but many flex programs still don't use these cards and force employees to file paper claims. They are worth the investment initially or as an upgrade to your current program in simplifying your goals of helping employees be more accountable and responsible for their health care.

Voluntary Benefits—Much is written about voluntary, and my experiences are that if voluntary is packaged, communicated and sold as part of one integrated program, it is successful. When it is a stand-alone, separate enrollment, it is less so. Make sure your portal can handle all types of plans and communicate them personally to all employees, and these programs will be a great part of your overall employee offering.

Notwithstanding my skepticism concerning the current over-hyping of CDHC and the systemic challenges that this change is going to create for employers and consumers, I think that change will be a positive for the employee in the long run.

Every evolutionary step the industry has taken over the last 30 years has yielded a net positive in terms of choice and flexibility, and that will occur again at a time when the workforce is even more diverse and in need of personal flexibility. For the future, I think the employee's perspective of what makes a great company will be what programs and tools an organization offers to help them manage their life and family's financial needs best.

As Yogi Berra said—"It ain't over 'til it's over," and the real impact of CDHC and consumer-driven benefits is just in its infancy, and its future course is going to be fascinating to watch. 

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