

Achieving the Promise of the Retail Market

U.S. employers' inability to shoulder the full brunt of health benefit costs and inflation rates (a multiple of wage increases) has driven the birth of the consumer or retail health benefits market. Fueled by benefit buy-downs or cost-shifting strategies and a regulatory change creating tax sheltered spending accounts, most Americans find themselves paying more of the health care tab.

Advocates of consumer-driven health care believe financially engaged consumers, when armed with reasonable tools and incentives, will become better health care shoppers and possibly improve the management of their own health. The consumer-driven promise suggests more empowered consumers improve care quality, lower the cost of care, and increase consumer satisfaction through engagement.

Tom Main, founding partner of ChapterHouse, LLC, argues there has been a time lag between increased consumer financial accountability and the availability of well-informed decision making support capabilities. "The employer-driven financial shift of responsibility to consumers has occurred well in advance of the retail market infrastructure being in place to effectively support consumers," he says. "Consumers were not expecting the shift, are not in favor of the new responsibility, and are not looking to their health plan for trusted support or as a capable resource."

To meet consumer needs, health plans have worked aggressively and invested significantly to build consumer tools, revamp service models, design incentive programs, partner with financial institutions, and re-tool disease and

health management programs. Despite this investment and organizational focus, Main says that the industry has only scratched the surface of what is needed. As a result, both employer and consumer adoption of consumer-driven plans has been slow.

Main believes health plans' investments have been largely responsive to employers' short-term needs and have been focused mostly on point solutions — leaving a market gap for comprehensive retail solutions that fully address consumer needs.

"It is difficult for health plans to invest in foundational changes without the certainty of market adoption, not to mention the timing gaps between expense/investment and revenue realization," observes Main. "For smaller, less capitalized plans, the cost/risk implications of fundamental changes are a tall hurdle."

The good news is employers, health plans, and consumers are all actively seeking new solutions to make health benefits more available and affordable. Main points to a number of successful breakthroughs — where innovative solutions have driven meaningful impact.

- Humana's SmartSuite family experienced average annualized claims trends of 4.2 percent and exceeded prevailing prescription drug compliance rates for chronic care management.
- Individuals enrolled in Definity's consumer-driven health (CDH) plan receive needed care at rates equivalent to, or in many cases higher than, members of traditional plans.



- Medical costs among CIGNA's CDH enrollees declined 5.5 percent while costs among a control group increased 11.9 percent during the same period.
- In just three years, Aetna's groundbreaking price transparency initiative has grown to cover over 100,000 physicians and more than 22 percent of Aetna's entire medical membership.

Main believes in the promise of a retail market where real competitive forces stimulate positive market reform — causing providers to compete on the value (cost, quality, outcomes) of care management and delivery. In order for this retail market to be a reality, consumers must accept their new found responsibilities. At the same time, health plans must accelerate their business change process and position themselves to truly partner consumers to

exercise their buying power in the market and cause providers to shift their practice models from transactional medicine to outcomes-focused care management.

Health plans, consumers, and providers all understand the health care crisis and its ramifications. Most are working to either protect their position in the market or to reposition for positive change.

Main says the clock is ticking, and he is worried that progress may not be sufficient or soon enough to stem the erosion of employer benefits sponsorship. Consumers cannot afford to be the financial safety net for employer cost shifting. Ultimately, the success of the retail market will hinge on its ability to improve benefits coverage and quality while lowering the total cost of care. ■