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# HDHP Designs Gain Favor As Economy Forces HMO Slowdown

BY RIC GROSS

As Wisconsin employers continue to look for ways to cut costs in a troubling economy, the move toward high-deductible, consumer-driven offerings could continue to see an uptick.

The plans have gained some traction in pockets of the state, according to America's Health Insurance Plans' Center for Policy Research, which shows Wisconsin ranked eighth, with 5.6 percent of people under the age of 65 with private health insurance enrolled in a high-deductible health plan with a health savings account.

Meanwhile, commercial HMO enrollment declined by some 10 percent from 943,541 in January 2008 to 848,162 in July 2008, according to data from HealthLeaders-InterStudy. No major carrier showed any significant gains or losses in that time span, though that could change in 2009 as the impact of the current nationwide economic meltdown continues to be felt across the state. PPO enrollment, meanwhile, showed a small bump for the first six months of 2008, hovering at around 1.8 million members.

Table 4-1: Wisconsin HSA/HDHP Enrollment (Covered Lives)

	January 2006	January 2007	January 2008
Individual market	855,000	1,106,000	1,502,000
Small-group market	510,000	1,057,000	1,816,000
Large-group market	679,000	2,044,000	2,777,000

Source: America's Health Insurance Plans

The implications of the economic downturn appear to be less severe for insurers' large-group clients than for the small-group book. Large employers have already negotiated contracts for 2009, and while layoffs and downsizing will affect membership, it's unlikely large groups will make benefit changes during the plan year.

"As companies continue to lay off people, it will impact membership and premium volume," said Jim Mueller, executive president of insurance brokerage firm Willis Group Holdings. "Instead of losing clients, you can keep clients, but if it is a client of 2,000 people and 60 percent are still there and 40 percent have been laid off, that is a big deal."

### More Seem To Be Turning Toward CDHP

Meanwhile, indications are that more consumers are turning toward consumer-driven products as healthcare costs continue to rise. Consumer-driven products refer to products with deductibles of more than \$1,100 a year that qualify for a tax-advantaged savings account. In the most recent consumer-driven report from America’s Health Insurance Plans, the group found that the number of people with HDHP/HSA’s rose to 6.1 million in January 2008, compared to 4.5 million in January 2007 and 3.2 million in January 2006.

AHIP estimates Wisconsin has about 210,026 residents enrolled in CDHP plans, and according to an analysis done for the Wisconsin Office of the Commissioner of Insurance and the Wisconsin Department of Health Services, around 50 percent of the small-group market is enrolled in plans with deductibles of more than \$1,250 for individual policies and an average deductible estimated at \$1,500 for individual policies.

In addition, internal data produced by The Alliance, a Madison-based nonprofit, employer-owned health-care purchasing cooperative, shows acceptance of such plans is on the rise among its 160 self-funded member companies, which provide coverage to more than 83,000 individuals in southern Wisconsin and neighboring counties in Iowa and Illinois.

According to the most recent Alliance member data on plan design, 23 percent of the plans evaluated last year were high-deductible (\$1,000 or more in-network for Alliance reporting purposes). This compares to 18 percent in 2007 and 19 percent in 2006. Most of the members offering a high-deductible plan also offer an additional plan option, The Alliance reported.

“I think there is a desire on the part of employers to create some price sensitivity among their employees, and also, through that price sensitivity, help engage them in controlling healthcare costs,” said Cheryl DeMars, CEO of the Alliance. “We actually thought there would be a quicker uptake than we’ve seen, but our member employers in our market tend to be pretty careful about making sweeping changes to their health benefit plans and want to make sure the changes they make are really improvements and not just ways to shift costs to employees.”

**Table 4-2: Wisconsin Commercial HMO Enrollment**

Plan	January 2008	July 2008	Market Share
Dean Health Plan	184,167	182,788	21.55%
UnitedHealthcare	120,277	125,222	14.76%
Security Health Plan	92,797	96,180	11.34%
Physicians Plus	92,343	90,624	10.68%
Unity Health Plans	70,140	65,481	7.72%
Network Health Plan	73,142	64,491	7.60%

Source: HealthLeaders-InterStudy

CDHP adoption has been low in provider-owned HMO strongholds Madison and surrounding areas, where residents still cling to familiar HMOs with predictable copays. Madison’s Dean Health Plan, for instance, showed July 2008 CDHP membership of 6,932, out of total commercial enrollment of 210,149, according to HealthLeaders-InterStudy data. Moving 122 miles north of Madison and into Marshfield, Security Health Plan—sponsored by the Marshfield Clinic—showed 6 percent of its commercial fully insured population in an HSA-qualified high-deductible health plan, out of enrollment of 92,797, according to HealthLeaders-InterStudy data.

“We have seen more interest than actual growth,” said Chuck Paine, director of marketing for Security Health Plan. “The growth is coming in the small employer or individual market. We haven’t seen employers really step up and say they are going to subsidize [the HSA] in any real way, and if it’s fully subsidized by the employee, it appears to be a significant increase in their out-of-pocket liability. So when offered as a dual-choice, with no HSA funding, you certainly get a smaller number selecting that option.”

Among the national insurers that dominate the Milwaukee area—UnitedHealthcare, Anthem Blue Cross and Blue Shield and Humana—the products have seen greater acceptance. “The plans I am offering are doing very well,” said Jon Rauser, president of Milwaukee-based The Rauser Agency Inc. “In my business, it is still less than 20 percent of the total, but I’d say they constitute 50 percent of every new sale, maybe more.”

The HSA adoption is occurring despite the state of Wisconsin not allowing residents to take a tax deduction for HSA accounts like there is at the federal level. This could hamper the adoption of HDHP/HSA plans.

“As healthcare costs continue to rise, we are seeing increasing interest from both individuals and businesses in consumer-driven products as a means to give themselves greater control over their healthcare expenses,” said Scott Larrivee, public relations director for Anthem Blue Cross and Blue Shield. “Health insurance premiums are a direct reflection of the underlying medical costs in a given market. Wisconsin has some of the highest healthcare expenses in the country, which means health insurance premiums are higher in Wisconsin than many other states. As a result, the adoption of consumer-driven plans in general, and of Anthem Blue Cross and Blue Shield’s Lumenos products [introduced in 2007], is higher in Wisconsin than many other parts of the country as individuals and families look for affordable insurance options.”

One resource available to Lumenos members is its Anthem Care Comparison, an online tool that allows members to evaluate the cost of 39 common medical procedures. In addition, because the information is facility-specific, members can compare the differences in cost among hospitals and see how frequently facilities perform each procedure, Larrivee said.

The data generated for the Anthem Care Comparison tool comes from Anthem Blue Cross and Blue Shield’s claims data over the past 12 months and is updated quarterly.

### **Economic Downturn Could Be Major Push Toward CDHP**

Greg Scandlen, president of Consumers for Health Care Choices, a group based in Hagerstown, Md., that advocates for the consumer-driven model, said the recession presents a rare opportunity for employees and employers to discover the value in CDHPs. The medical cost trends Scandlen has seen suggest the effect has already taken place in 2008.

“The evidence is pretty clear that the recession has had a major effect on utilization,” he said. “There has been the idea in the past that healthcare is recession-proof. In past recessions, healthcare spending went up because people were afraid of losing their jobs and they wanted to get things taken care of they had been putting off. That has not been happening this year.

“Apparently physician office visits are down from the year before, prescription drug spending is down 2 percent, and outpatient is down 2 percent. This is unprecedented. I haven’t seen before where healthcare feels the effect of a recession. In a consumer-driven plan, even if it’s not in an HRA or HSA, but just with a higher deductible, people think twice before going and getting service.”

### **Outlook**

*The sagging economy barely impacted Wisconsin HMOs in terms of membership in 2008, but that will change somewhat in 2009. The provider-owned plans in Madison and beyond will always remain strong,*

*and the national players in Milwaukee are buttering their bread in the PPO arena. Consumer-driven options will continue to gain traction in the state, but not in any real sense in the provider-owned pure HMO strongholds.* ■



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