

Perspectives

CONSUMER DIRECTED HEALTHCARE

CONSUMER DIRECTED HEALTHCARE: DRIVING BETTER SERVICE AT LOWER COST

Barry Chaiken, senior manager, is BearingPoint's associate chief medical officer in the company's global healthcare practice. He is currently focused on providing thought leadership and expertise in clinical transformation and quality improvement. In this Perspectives piece, Barry discusses the complexities and benefits of leveraging consumer directed healthcare programs to create better services and increase operational efficiency.

In today's healthcare marketplace, many forward-thinking organizations have turned the challenges of escalating costs and global economic competition into opportunities to deliver higher-quality and more cost-efficient healthcare. And with incentives provided by the federal government lighting the path, these companies are finding their way with consumer directed healthcare (CDH) programs—the newest and most promising approach for healthcare organizations to provide better service and save money at the same time.

Both payors and employers expect significant cost savings from these programs as patients become more involved in choosing the level of care they receive and the clinical resources available for their care.

Payors, who look to increase the number of lives they cover through expansion of these plans, must be prepared to offer an easy-to-use, member-centered offering that attracts and maintains enrollees. Employers expect to benefit through reduced healthcare costs from the enrollment of their employees in CDH programs. These organizations must make smart decisions to ensure those programs are well designed and user-friendly and provide service for employees at a level that will keep them covered by the program. Failure to provide adequate service to the enrollees leads to lost opportunities to enhance patient care quality and reduce healthcare costs, while generating unexpected costs for both employers and payors who offer CDH programs.

CDH PROGRAMS DELIVER CHOICES TO CONSUMERS

Radically different from traditional healthcare payment programs, CDH programs place the management of substantial levels of first-dollar healthcare spending in the hands of the consumer. In addition, these consumers must not only choose to spend in ways that maximize their own healthcare benefits by selecting the most effective and efficient providers, but also budget for future care needs. Consumers also direct the investment of funds that are not immediately needed to provide healthcare services so that they can grow in value to provide monies for any future care.

CDH participation is likely to grow steadily through 2006 and then dramatically increase through the end of the decade as both employers and employees become more familiar with these programs. Both payors that plan to provide these programs and companies that sign on to them for their

“Consumer empowerment is essential to the success of CDH, and empowerment without knowledge is a dangerous mix.”

—Barry Chaiken,
BearingPoint

employees need to pay attention to this growing area of healthcare payment and reimbursement. They need to choose effective programs or risk losing out on the potential benefits inherent in these programs, potentially creating more problems.

The cost-saving and quality outcomes expected from CDH programs depend on the premise that consumers, when provided with cost and quality data on potential sources of care, will choose those services that provide the most value for the resources expended. Although similar incentives were used before by various insurance models, CDH programs directly tie the consumer to the payment for their care through reimbursement accounts, such as a health reimbursement account (HRA), flexible spending account (FSA) and health savings account (HSA).

The management of these accounts, with the capability to roll over the funds in some of these accounts from year to year, offers an ever-increasing source of funds that are in direct control of the consumer. In addition, personalized healthcare debit cards

and checking accounts will provide increased convenience for consumers. These potential assets, along with the ability to save or invest funds for growth and use at a later time, are bringing financial services companies into the healthcare marketplace.

CHOICE AND CONTROL CREATE AN UNCERTAIN ENVIRONMENT

Expanding consumer choice and control over healthcare, coupled with the entry of the financial services companies, create a very uncertain environment for payors, providers and consumers. Education of consumers and repositioning of products and services by payors and providers will be necessary to achieve a successful transition to this new model of healthcare. For payor organizations, servicing consumers and employers is critical to long-term survival as the expansion of CDH programs becomes a reality.

The success of an organization's CDH program is directly related to its ability to focus on educating consumers, accurate reporting of cost information to consumers and making a long-term commitment to the project.

Significant Education Needs of Consumers

Health insurance products—even traditional ones—are complicated. Consumers struggle to choose plans that best fit the needs of themselves and their families. This confusion often leads to employees making poor choices that either exposes them to unnecessary financial risk or expensive unneeded benefits. In many cases, consumers choose their plans solely based on price, a decision-making process that could prove problematic if applied when covered by a CDH program. Choosing providers from a price list, without consideration of quality and patient safety measures, may lead to avoidable morbidity and even mortality.

Although consumer empowerment is essential to the success of CDH, a successful CDH program requires education of consumers across a wide band of issues. In addition to choosing providers properly based on cost and quality, consumers must manage a more complex arrangement of deductibles, co-payments and maximum out-of-pocket costs. This must be done using a new payment vehicle such as an HRA, FSA or HSA.

CDH education falls into two types of information, that which is provided before enrollment about CDH and other insurance products that help consumers choose the health insurance plan that best meets their needs, and that which describes how the CDH plan works after enrollment.

Pre-enrollment analysis tools use a self-directed questionnaire to offer the consumer a comparison of various medical benefit plans including CDH. Some sophisticated tools predict future medical costs by using different input variables to model different scenarios across product lines. Consumers require education to benefit most from the information provided by these tools.

Once enrolled in a CDH program, consumers will require considerable education on how to manage their reimbursement accounts. Unlike other medical benefit plans consumers are accustomed to, a CDH program requires the consumer to manage directly much of the first-dollar coverage by paying for care out of their own HRA, FSA or HSA. In addition, many consumers will be confused by HSAs that appear identical to any other bank account they currently own that also include debit cards and checks, yet are strictly limited to payment for medical services. Another consideration is that provider payments for much first-dollar coverage formerly paid for by health insurance organizations will now be paid directly by the consumer using a reimbursement account. Once maximum dollar amounts are satisfied, provider payments generally become the responsibility of the payor, thus offering another level of complexity and area for confusion to the consumer.

Potential for payment errors, including underpayment and double payment, is enormous for an implemented CDH program without good processes and well-thought-out consumer education. If improperly implemented, a CDH program could deliver exponential administrative costs while poisoning long-standing relationships with providers. In addition, as employees become frustrated with the program, employers will surely express the discontent of those who work for them.

Developing a member-centric CDH education program will ensure that only those consumers who truly want a CDH plan choose to enroll in such a plan, and that, once enrolled, they are offered the necessary education and support to use the program effectively.

Well-educated CDH program enrollees are necessary to deliver the cost savings expected from these type plans.

The Challenges Around Reporting Quality and Cost Information to Consumers

Quality in healthcare has often been evaluated using simple, opinion-based summaries that are only weakly tied to measurable healthcare outcomes. Unfortunately, consumers enrolled in CDH programs cannot rely on such subjective evaluation when choosing care providers or levels of service. To reach their goal of quality improvement and cost reduction, CDH programs must provide the consumer with accurate and easy-to-understand comparative provider reports. Effective reports will allow the consumer to make

choices on care and care providers that deliver the greatest benefit to the consumer. In addition, these reports will tie cost to quality, allowing consumers to personalize their choices by employing their own value system.

Obtaining the data to produce these reports may prove very difficult for some organizations because the sources may not currently exist or the data may be proprietary. Nevertheless, these reports will need to be developed to allow provider organizations and physicians to participate in CDH programs. Although there is some quality data available on hospitals and most health plans (e.g., the Center for Medicare and Medicaid Services and the National Committee for Quality Assurance), information on physician performance is rather limited and inconsistent in measures. These realities make it difficult to foresee successful rollouts of CDH programs in geographic areas where new performance measurement initiatives are not implemented.

Cost data, although more readily available than quality data, still suffers from lack of consistency in reporting. Consumers may be confused by prices

that reflect billed charges, allowed charges and negotiated charges. In addition, contractual obligations may prevent some organizations and individual practices from releasing actual cost information because it is considered proprietary marketing information.

Although somewhat familiar with explanation of benefits documents, consumers almost always struggle trying to reconcile these documents with bills from their various providers. Reporting truly comparable cost data will be a challenge for both the organizations developing the reports and the consumers working to interpret them. For CDH programs to work, a solution to this quality and cost data reporting is required.

Payor organizations must redouble their efforts to help provide consumers with the cost and quality information they need. Initial efforts should include the following:

- **Develop a program to reward and recognize providers with superior outcomes**—use commonly accepted measures of quality that focus on healthcare outcomes rather than process measures.

“Consumer engagement emerges as the fundamental—and profoundly simple—concept that must underlie CDH.”

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BearingPoint

- **Supplement physician quality data with a carefully crafted member experience survey**— identify disease-specific outcome measures that are reportable by the consumer.
- **Work to provide episode-of-care cost and quality information regarding high-cost and frequently used procedures**— employ experiential data to identify areas of high quality and efficiency that need reporting.
- **Improve presentation of existing cost and quality information**— consider engaging professional assistance with the development of reporting materials and a marketing program to distribute understandable reports to consumers and employer customers.
- **Start the development and collection of new quality and cost data for future reports**— evaluate current processes and explore new ones to identify potential new sources of data.

Making a Long-Term Commitment

The CDH market represents a huge growth opportunity for payor organizations. Building on current member and employer relationships, organizations can offer new CDH-based insurance products to increase revenue and cultivate long-term customers.

Payors must also develop high-quality relationships with financial institutions that will surely manage the bulk of the HSAs associated with CDH programs. Care must be taken to identify those institutions that can customize their offerings so that they match the needs of the CDH program of the payor. In addition, financial systems need to work together seamlessly to ensure data flow between organizations.

For a healthcare insurance organization to implement a successful CDH program, it must look past the tactical issues of the program such as what plan design will be offered or how many members will adopt CDH in the first year. Healthcare insurance organizations must begin planning long-term health initiatives that will engage consumers to take a more active role

Our teams can help your healthcare organization leverage CDH not only to save money and improve your organization's quality of care but also to avoid the pitfalls of improperly designed and implemented systems.

in their healthcare and make better decisions.

Although some organizations may cobble together pieces of existing programs to offer a CDH product, this strategy will deliver only operational headaches and unhappy members should CDH become a significant part of an organization's business. In addition, organizations that do not do the strategic planning and modify existing processes to meet the reporting demands of CDH products will find themselves at a significant competitive disadvantage when trying to renew contracts or sign up new members.

As IT expands throughout healthcare, more and more data sources will become available that can be used to build a high-quality CDH program.

Marrying this technology to a well-developed strategic vision becomes the starting point for a CDH program that will improve healthcare quality, manage costs and deliver increased revenues to payor organizations.

At BearingPoint, we understand the market from a broad perspective, across areas including finance, quality management, customer service, call center, clinical content and healthcare finance. Our teams can help your healthcare organization leverage CDH not only to save money and improve your organization's quality of care but also to avoid the pitfalls of improperly designed and implemented systems.

The following BearingPoint professionals contributed to this Perspectives piece: Amer Khan, Erika Evensen, Sheila West, Bob O'Meara, David Hargrove and Ken Kubisty.

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