



CONSUMER-DIRECTED HEALTH PLANS

THE CHALLENGE TO MANAGING WORKFORCE HEALTH, PERFORMANCE AND PRODUCTIVITY

EXECUTIVE SUMMARY

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Employers have tried a variety of ways over the years to hold down the costs of their healthcare benefits. Cost-control strategies have included moving from indemnity plans to preferred provider organizations (PPOs) and then to health maintenance organizations (HMOs); increasing employee cost sharing, co-pays and deductibles; and building narrow networks of physicians. Increasingly, employers are switching their employee health benefits from established PPO and HMO plans to plans with high deductibles and a personal health spending or savings account – known as consumer-directed health plans (CDHPs).

The Issue

Often lost in discussions of the costs of employee healthcare benefits is the value they provide to employers through healthier, more productive employees. The risk to employers and employees alike is that in order to manage their own healthcare costs once they have “skin in the game”, CDHP enrollees will reduce their utilization indiscriminately, foregoing not only costlier treatment options but deferring necessary and preventive care. This could not only increase employers’ health care costs in the longer-term but also could increase lost productivity costs if unmanaged illnesses result in more sick day and disability absences.

Evidence

We review two strands of the peer-reviewed research literature – on the link between CDHPs and medical care utilization, and on treatment adherence and workforce productivity. The general insight from the literature is that CDHPs’ medical and pharmaceutical cost savings may come at the expense of workforce productivity. Specifically:

- CDHPs will likely contribute to lower medical care utilization and lower health care costs borne by the employer.
- Some of these savings will come from employees foregoing or delaying beneficial care rather than from avoiding unnecessary tests and procedures or from price-shopping. This is particularly true of chronic health conditions.
- Avoidance of beneficial care will likely result in lost productivity for some workers – the value of which may exceed the costs of medical treatments.

Implications for employers

Whether they self-insure for health care benefits or partner with an insurance provider, employers must understand that while they may shift the costs of healthcare to external organizations or to employees, they can never fully shift the costs of lost work time and reduced performance to others. The findings of this review suggest that employers considering a CDHP stand a better chance of realizing reduced costs without incurring unnecessary productivity losses if they approach their plan with the following questions in mind:

- What is the strategy for informing enrollees of which services are covered for free or at low cost? Has this strategy been shown to improve the utilization of beneficial services in other workplaces?
- How does the plan facilitate employees' abilities to shop around for services when it is feasible to do so? Does the plan include lists of local providers as well as their costs for common services? How often are price lists updated? How can employees reasonably be assured that all of the costs associated with a test or procedure are disclosed fully?
- Are there resources employees can consult to help them understand which care options are both indicated and of relatively good value?
- Is there evidence that covered disease and lifestyle management programs improve health and reduce lost productivity for participants? What is the strategy for identifying employees who can benefit from such programs and for encouraging them to participate? How will the employer best support employees in making good healthcare decisions – for example, with incentives, disincentives, information access, or other means?