

# Indiana's Experience with Consumer Driven Health Plans

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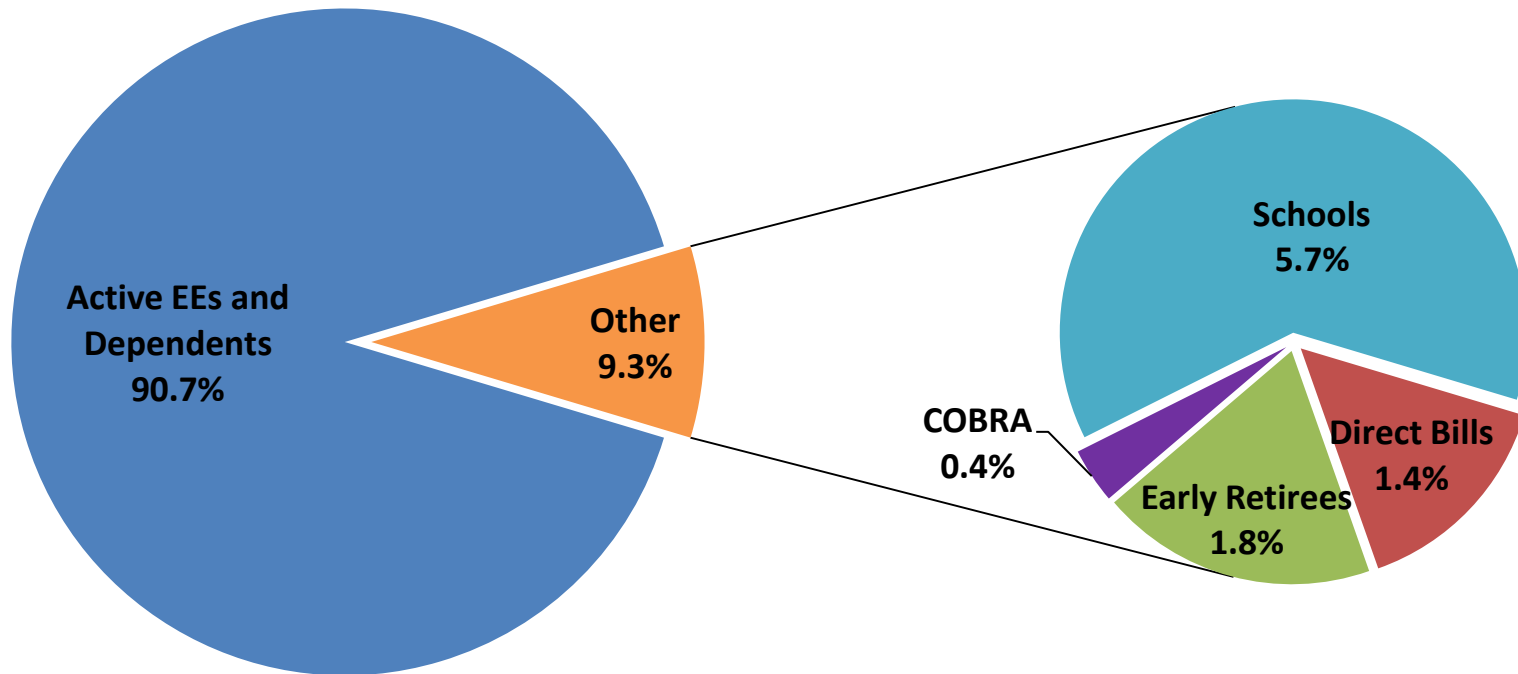
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# Profile of the State of Indiana

## 65,600 Plan Members

Invest In Your Health



**Average Age: 45**



# Decision Point



**During the 2004 gubernatorial campaign, candidate Mitch Daniels began talking about consumer-driven health plans and health savings accounts as essential tools to slow the growth rate for the cost of healthcare:**

1. to empower employees to take control of their health and ...
2. to make informed choices in spending their own dollars on healthcare



# Indiana in 2005: faced with key challenges

- Trend rising at unsustainable rates
- Employees insulated from true cost of healthcare-- *third party* versus *personal* payments
  - Low deductibles, minimum co-pays
  - First-dollar coverage
  - Co-pays not subject to a deductible
- Little or no emphasis on preventive care
- Prescriptions not subject to plan deductible
- No “skin-in-the-game”



# Why Consumer Driven Plans and HSAs?



- Encourage long-term improvement in health status of employee population & their families
- Inspire “consumerism mindset:” instill responsibility for efficient purchase of medical services
- Increase personal stake in making informed health care decisions and positive behavior changes
- Portability
- Triple tax advantages with HSA

**What we believe: financially invested employees will make better decisions**



# What did we do?

## CDHP Launch in 2006



### CDHP plan design:

- Standard 80/20 split coverage
  - \$2,500 Single Deductible
  - \$5,000 Family Deductible
- Opportunity to open an HSA (health savings account)
- State contribution to HSA **60%** of deductible.
  - \$1,500 Single
  - \$3,000 Family
- No plan premium for employee
- Approximately 1,400 benefit eligible employees (4%) enrolled
- Concurrent plan offerings: two PPOs; one large HMO



# 2007: additional CHDP offered



## **Second CDHP introduced, replacing one of two PPO plans:**

- More affordable choice than PPO with less risk than CDHP 1
- Lower deductible than CDHP 1, maximum out-of-pocket and nominal premium
- 100% preventive coverage for both CDHP1 and CDHP2, not subject to plan deductibles
- Employer contribution to HSA was 55% of deductible
- 6,300 subscribers; 18% of enrollees



# 2008: participation doubles



- By 2008, enrollment in the two CDHP's reached 12,100 or 35% of subscribers
- Market exit by our HMO plan
- Minimal plan design changes
- Education focused on maximizing one's HSA and/or flexible spending dollars, using preventative, transparency of cost information, and place of service alternatives
- No skipping or skimping on needed services





# 2009: major funding change for HSA



**Governor Daniels reaffirms both his trust and belief in the power of personal choice and responsibility:**

- Pre-funds each HSA with one-half the 55% contribution on January 1
- Balance of contribution to be deposited into HSA in equal bi-weekly installments
- CDHP enrollment climbed to 15,500 (47%)



# 2010: CDHP growth is super-charged



- Current (Traditional) PPO plan redesigned to approximate current 80/20 consumer-driven plans
- Prefunding of HSAs and premiums remained same
- State contribution to HSA remained at 55% of the plan deductible
- Enrollment climbed to 20,164 (70%) at end of 2009 open enrollment



# CDHP: Where we are today



The Evolution and Growth of Consumer Driven Health Plans in Indiana								
Year	2006	2007	2008	2009	2010	2011	2012	2013
CDHP Enrollment	4%	18%	36%	47%	70%	85%	91%	96%

- Empowers employees to make better choices about their health and educates them on how to wisely spend their healthcare dollars
- State continues to offer the two CDHP options and one PPO option to our employees
- State contributes 45% of the annual CDHP deductible into employee Health Savings Accounts



# **Highlights of Governor Commissioned, Independent Study by Mercer Consulting**

## **Savings and Effectiveness in the Indiana CDHP Model**

# CDHP Total Costs

## **Mercer's findings over course of study (1/2006 – 9/2009)**

- Total costs show savings vs. traditional PPO plan
  - PPO Cost: \$12,317
  - CDHP1 Cost: \$9,444
  - CDHP2 Cost: \$5,462
- State's health risk scores have improved, in spite of expectations of an aging state workforce



# CDHP Total Costs

## Cost differences vs. PPO plans fall into 5 categories

- Plan Design
- Demographic differences (age, gender, family size)
- Health Status
- Consumerism or behavior change
- Unidentified differences

# CDHP adoption yielded significant savings



- Greater use of cost-effective treatments—*no evidence of employee avoidance of care:*
  - Generic vs. brand drugs
  - Fewer hospital admissions, with shorter stays
  - Less frequent use of ER
  - Use of outpatient vs. inpatient procedures visits
  - Visiting primary physicians instead of specialists when possible and appropriate
- State has saved 10.7% through both CDHPs, roughly \$28M from 2006—2009
- 2010 savings projection: \$17M-\$23M



# Employee Savings

- Employees projected to be advantaged by:
  - Approximately \$7 to \$8 million in 2010
  - Contributions and/or richer plan designs would not have been affordable had the State not pursued the consumerism strategy
- Consumerism effect from reduced or more efficient utilization of health care, also reduces an employee's out of pocket expenses



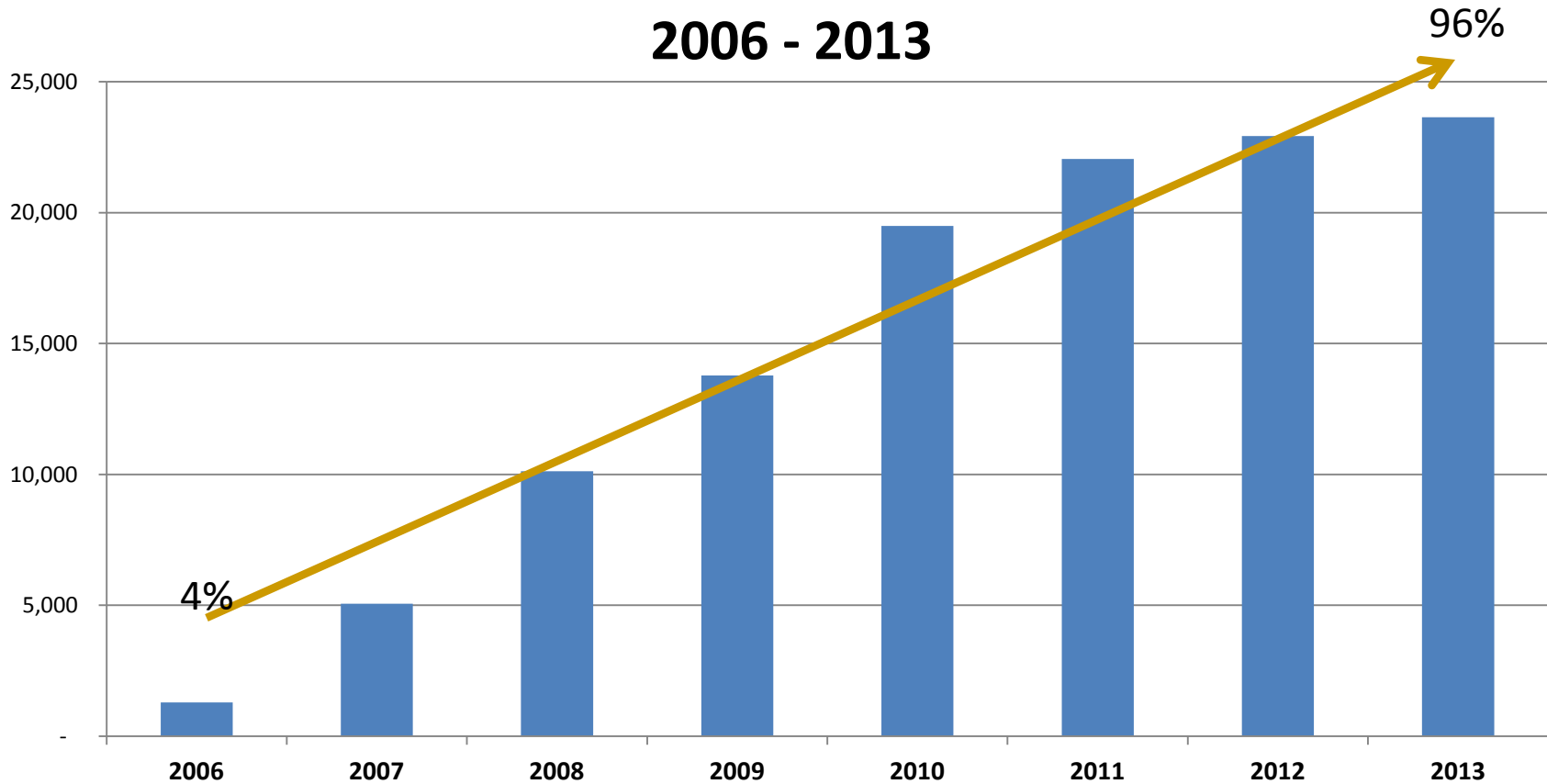
# Employee HSA Experience



- HSA Balances 12/31/2013
  - \$59 million in employee accounts
  - Average employee balance of \$1,728
- 2013 employee HSA equity accumulation is estimated to be between \$5M and \$6M from State contributions
- Savings Vehicle – Avg. account balance grows about 5% each year
- Super Savers – 1,238 employee accounts with an average of \$10,000 balance

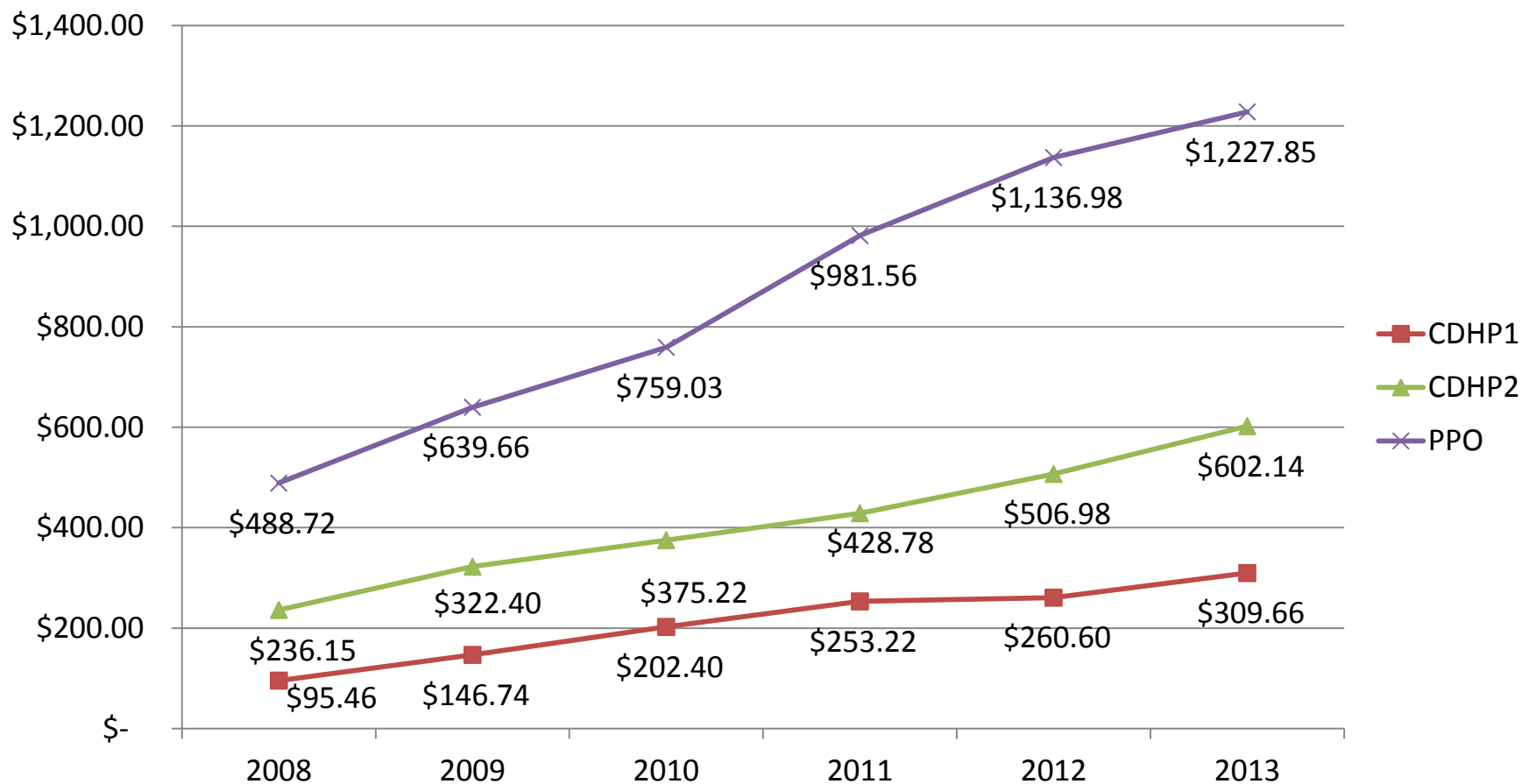


## CDHP Enrollment 2006 - 2013



# CDHP has addressed our 2005 challenges

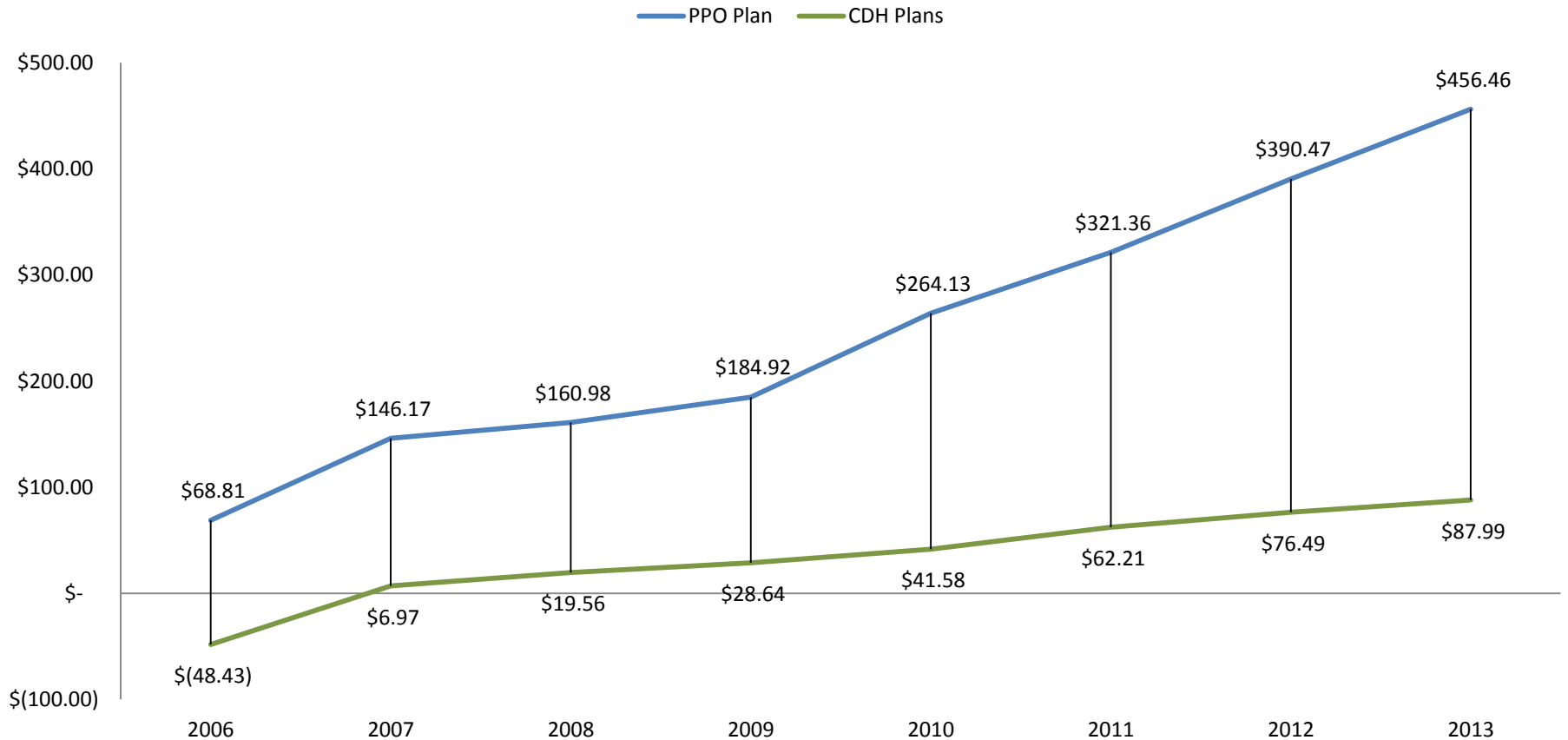
PMPM Trend by Plan



# Results are not just a cost shift to employees



## Employee PMPM Out-Of-Pocket Spending\*



\* Employee PMPM out of pocket spend = EE Paid Claims + EE Paid Premiums – ER Paid HSA Contributions



## Plan Cost Trend 2008 - 2013



# Results are also not just lower utilization



- Medication adherence is up
- Condition Care and Disease Management participation is up
- Preventative Care is way up!

Preventive Category	SOI Compliance		Anthem Benchmark
Adult Annual Well Visits	31.4%	↑	22.9%
Childhood Immunizations*	7,483	↑	6,696
Mammogram Screen Rate	48.2%	↑	41.4%
PSA Screen Rate	40.2%	↑	32.5%
Cholesterol Screen Rate	49.6%	↑	37.2%

\*Rate per 1,000



# Success: it starts at the top

- Overt, consistent, and passionate support from Governor and agency heads
- Positive communications
  - Advantages and opportunities of new plan(s)
  - Honest dialogue on costs, trends, future impact on budgets
  - Commitment to execute comprehensive education
- Choosing the right HSA/Bank partner a key to program design and buy-in

# Internal Challenges



- Lack of committed support from executive agencies' directors
  - Oppose CDHPs and HSAs conceptually
  - Do not actively market or educate middle management on the advantages of the CDHPs
- Other plan designs
  - Competing plans with minimum or first-dollar coverage & low premiums; rich HMOs





# Observations

- Our initial education period was six weeks – totally insufficient
- Written and web-based education alone are inadequate for initial engagement
- Expend the time and money to present live educational series throughout your state; critical to emphasize the ways employees can maximize success through integration of CDHP, HSA and health FSA as well as HSA eligibility regulations
- It was always important for our plan members to have a choice—plan participation has always been voluntary

