Patient-Centered Health Plans:  
*Designing the Path to Wellness*

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How Does Insurance Work?

- **Employee Perspective**
  - Best case – have coverage, don’t use any health care and remain healthy (net premiums cost only) - 13%
  - Worst case – have coverage, have catastrophic health event (net premiums + maximum out of pocket) - 5%
  - Everyone in between - 82%

- **Important Terms**
  - Premium
  - Deductible
  - Maximum Out-of-Pocket
How Much Health Care Do People Actually Use?

Adults age 18-44 (privately insured all year in Northeast, 2005)

- Median (half more/half less) - $626
- Average (mean) - $2,178

Once a High User, Always a High User?

- For the top 10 of every 100 health care consumers (using more than $5,000 in 2005) in a given year (who consume 65% of all health care used)
  - only 4 will be in the top 10 the following year (41%).

- However, those 50 with the lowest consumption (less than $800 per person in 2005, using 7% of all health care used)
  - 38 will be low users the following year (75%).

Patient-Centered Plans – Majority of Patients Control All Their Spending

At $2,500 deductible:

- 76% of patients control all health care dollars used
- All patients collectively control 41% of all health care dollars used
If so many spend so little, why is insurance so expensive?

- Pricing Insurance: Expense x Probability + Admin. Cost
  - $100,000 expense, 2% chance you will incur it, 15% admin
    - $100,000 x 2% = $2,000 + 15% admin = $2,300 cost to insure

Common 100% Probability expenses in most insurance policies:
  - Routine exams
  - Maintenance medication

There are many other high probability items in most insurance policies.
Family Chamber Blue Options

- PPO $7k ded.: $7,894
- PPO $2k ded.: $11,151
- HSA - $10k ded.: $7,747
- HMO $2k ded.: $13,127
- HMO $1k ded.: $14,572

Tax Consequence
- Annual Individual Max Out of Pocket
- Annual Family Premium
Changing your approach...

Employer Perspective

<table>
<thead>
<tr>
<th>Old Model</th>
<th>New Patient-Centered Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Premium</td>
<td>Premium</td>
</tr>
<tr>
<td>Health savings account (HSA) with optional employer contribution</td>
<td>Health reimbursement account (HRA) employer promise to pay</td>
</tr>
</tbody>
</table>
Current

- ER funded HRA: $3,000.00
- Maximum Out-of-Pocket (remaining): $900.00

New Patient-Centered

- ER funded HRA: $996.00
- ER funded HSA: $154.00
- Premium Contribution: $3,850.00
- Total: $5,000
5-Year Trend - Employer

- **HMO Premium**
- **HSA Premium**
- **HSA-ER Contribution**
- **HRA-ER Funding**
Case Example - Mobius, Inc. - 2006 to Present
Change from Old Plan to Patient-Centered Plan in 2007
Employee-Only Coverage

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Case Example - Bar Harbor Biotechnology, Inc. - 2007 to Present

New Patient-Centered Plan in 2007
Employee-Only Coverage

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Keys to An Effective Patient-Centered Benefit

- Fostering a culture of health care consumerism among all employees, beginning with senior executives

- Implementing a focused employee education campaign

- Offering wellness programs and incentives for healthy behaviors, as well as 100 percent coverage for preventive care

- Carefully constructing a benefits package that includes appropriate levels of employee financial responsibility
Key Findings of Patient-Centered Employees – 1. Committed in Wellness

The Blue Cross Blue Shield Association 2007 CDHP Member Experience Survey showed HSA plan members were more engaged in wellness and prevention:

<table>
<thead>
<tr>
<th>Program</th>
<th>Patient-Centered</th>
<th>Traditional</th>
</tr>
</thead>
<tbody>
<tr>
<td>Smoking cessation</td>
<td>20%</td>
<td>6%</td>
</tr>
<tr>
<td>Stress management</td>
<td>22%</td>
<td>8%</td>
</tr>
<tr>
<td>Nutrition/diet program</td>
<td>27%</td>
<td>12%</td>
</tr>
<tr>
<td>Exercise program</td>
<td>29%</td>
<td>12%</td>
</tr>
</tbody>
</table>
Key Findings of Patient-Centered Employees – 2. Focused on Cost & Quality

The Blue Cross Blue Shield Association 2008 CDHP Member Experience Survey showed HSA plan members researched cost and quality of providers much more:

- Search the Internet for a lower priced Rx: 21% Patient-Centered, 15% Traditional
- Use mail order Rx: 43% Patient-Centered, 30% Traditional
- Ask doctor about cost of treatments: 52% Patient-Centered, 33% Traditional
- Choose lower cost treatment option: 36% Patient-Centered, 23% Traditional
Key Findings of Patient-Centered Employees – 3. Saved for the Future

The Blue Cross Blue Shield Association 2008 CDHP Member Experience Survey showed HSA plan members planned for health expenses more thoroughly:

- **Discussed Health Expenses with Physician**
  - Patient-Centered: 38%
  - Traditional: 27%

- **Estimated Future Health Care Expenses**
  - Patient-Centered: 38%
  - Traditional: 22%

- **Tracked Health Care Expenses**
  - Patient-Centered: 72%
  - Traditional: 40%

*Patient-Centered* | *Traditional*
Questions?

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