Opportunities for Improved Health Service Delivery
Healthcare Commission Ideas for Governor Freudenthal
June 29, 2005

Offer Health Savings Accounts to State Employees

1) What is the problem?

a) Wyoming State benefits are in line with surrounding states, especially after the July 2003 dependent subsidy increase. Wyoming State benefits are, however, more generous and more expensive than those of most other smaller Wyoming employers.[1]

b) Wyoming state employee health care costs are rising.

c) The Wyoming state employee share of medical costs declined from 34% in 1970 to 16% today. At least some portion of this relative decrease can be attributed to deductibles, coinsurance and co-pays that have not kept pace with total cost increases, thereby insulating Wyoming state employees from true prices.

d) Given current benefit levels and the Wyoming marketplace, broad-brush cost shifting, such as simply increasing the deductible, may not result in expected long-term savings.[2]

e) Data indicate that employees who do not feel accountable for the cost of their care spend more than those who have a stake in the financial expenditures associated with their care.[3]

f) Dr. Hank Gardner produced data for the Wyoming Healthcare Commission indicating that a higher level of personal accountability could help change people's orientation from expensive, technology-intensive services to more preventive care.[4]

2) Describe your ideas.

a) Offer a Health Savings Account (HSA) option to state employees.

b) Select an HSA vendor that covers preventive care and provides extensive consumer education and care management/healthy lifestyle tools.

3) Who are your partners?

a) The Wyoming Department of Administration and Information Employees Group Insurance Manager can be directed to and provided with the resources for adding an HSA to the options offered to state employees.

4) Please provide supporting evidence and data for the proposal.

a) Buck Consultants of Denver reported to the Legislature in 2003 after studying the Wyoming employee health benefits that enhanced health care consumerism has potential for additional savings under the Wyoming plans. The Buck employee insurance participation feasibility study recommended implementation of optional or mandatory consumer-directed health plans in 2005.[2]

b) During the 2005 legislative session the Wyoming Health Insurance Program (WHIP) was granted the option of offering an HSA to people who are high risk and without other healthcare coverage options.[5]

c) High deductible health plans, combined with HSAs, are the most common manifestation of consumer-driven health. The number of Americans enrolling in health savings accounts has more than doubled in the past six months, according to a survey released by America's Health Insurance Plans. The survey found that 1.03 million people had signed up for the plans by the end of March, a surge from the 438,000 enrolled in September.[6]

d) A primary reason employers in the private sector are beginning to capitalize on Health Savings Accounts, Health Reimbursement Accounts and Medical Savings Accounts is to promote encouraging employee responsibility in health care expenditures.[7] [8]

e) Seventy percent of employers likely will offer "consumer-driven" health plans, such as health savings accounts, by 2006, according to a survey report released in April. The survey was conducted by the Federation of American Hospitals and the American Hospital Association and found that a "competitive marketplace" has begun to develop for HSAs and other consumer-driven health plans.[9]

f) Aetna research, using data from 13,500 plan participants in 2003 -- the latest for which the company has done analysis -- showed that employers who offered HSAs as a voluntary option slowed their health-care spending growth to a rate of 3.7%, while those who made the switch completely saw costs fall 11%, mostly because of fewer visits to doctors and hospitals. At the same time, the use of treatments or tests for preventive care rose faster among those in consumer-driven plans, compared with a similar population in a traditional plan.

g) A new survey by consultants McKinsey & Co. found that participants in consumer-directed health plans got annual check-ups, basic lab tests, prostate screenings and mammograms at an equal or higher rate than those in richer traditional benefits.[10]

h) The McKinsey survey found, however, that only 44% of plan members were as satisfied as they had been with their previous, more generous benefits. Higher costs were one factor for some, but many said they were unhappy with how hard it was to get good information to make decisions about health care.[8]

5) Funding/Staffing needs.

a) Resources required to implement this recommendation will depend in part on whether the state chooses to contract with a vendor to provide an HSA or build internal capacity. If this recommendation is pursued an analysis will be undertaken in collaboration with the Wyoming Department of Administration and Information. This will include quantification and estimate of software, staffing and training and implementation costs.

6) Who is better off and how could you measure the improvement?

a) Additional money spent on consumer directed health plan administrative services, as proposed by the Buck Report, was projected to reduce claims costs. However, the return on investment may be reduced by the cost of additional communications efforts made to increase employee understanding and appreciation of the new option.

b) As with every type of health management program, there are five keys to successfully improving overall employee health, containing health plan costs, and measuring results:

- **i)** Develop and maintain reliable data on baseline health risks and associated costs in the covered group, plus actual program performance.
- **ii)** Effectively communicate the benefit to employees and dependents of participating in voluntary programs, often via economic incentives.
- **iii)** Demonstrate management buy-in, usually equating to broad management participation.
- **iv)** Coordinate management of all programs offered as much as possible and integrate data on participation and outcomes with health plan and absence data.[2]
- **v)** Track year over year data against the baseline data.

7) Could this proposal be included in the Children and Families Initiative?

a) The result should include improved health status for children and adults.

8) Potential drawbacks and political considerations.

a) Cost and administrative burden.

b) People will claim that this program will cause people to avoid necessary care.

9) How does this recommendation relate to other recommendations?

a) This recommendation is an integral part of the HRA recommendation. The HRA is a primary tool used to help employees understand their health risks and to provide information on managing those risks. Without health management tools, an HSA is likely to generate the levels of frustration and dissatisfaction noted in the McKinsey survey.

b) Development and publication of Quality/Cost Report Cards is another important tool for helping employees become better consumers in an HSA environment.

---

[1] "Employee insurance participation feasibility study," for the Wyoming Legislature Joint Subcommittee on State Employees' Benefits, Oct. 1, 2003, Buck Consultants, Inc., http://legisweb.state.wy.us/2003/interim/lab/Subcommittees/EmpBenefits/WYReptFinal.pdf

[2] Buck Consultants
[3] Milbank Memorial Fund's "Value Purchasers in Health Care: Seven Case Studies," September 2001, www.milbank.org/2001ValuePurchasers/011001valuepurchasers.html
[4] Phone presentation from Dr. Hank Gardner to the Supply Side Subcommittee May 16, 2005
[5] HEA0030, http://legisweb.state.wy.us
[6] Washington Times, May 5, 2005, www.washingtontimes.com/business
[7] "Health Insurance Help for Your Small-Business Employer," Monster Salary Center, 2005, http://content.salary.monster.com
[8] National Federation of Independent Business, "Five Ways to Get More from Your Benefit Plan," 4/20/04, www.nfib.com, Business Toolbox
[9] Kaisernetwork.org, http://www.kaisernetwork.org/daily_reports/rep_index.cfm?hint=3&DR_ID=29511, Daily Health Policy Report, April 21, 2005
[10] Wall Street Journal, June 14, 2005, Vanessa Fuhrmans. "Patients Give HSAs Mixed Reviews".