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Growth of Consumer-Directed Plans Could Save Billions Annually

If consumer-directed health plans (CDHPs) grow to account for half of all employer-sponsored insurance in the United States, health costs could drop by \$57 billion annually – about 4% of all healthcare spending among the non-elderly, according to a new RAND Corporation study published in the May issue of Health Affairs. Such plans now account for about 13% of all employer-sponsored health coverage. According to the study, aggressive expansion of such plans is not without risks, however. Increasing adoption of high-deductible plans could also reduce use of recommended preventive and other high-value healthcare services.

The findings come from the most comprehensive study done to date on the impact of consumer-directed and high-deductible health plans, which have grown rapidly over the past decade. Researchers from RAND and the University of Southern California examined the claims experience of 59 large employers across the United States from 2003 to 2007 to determine how CDHPs and other high-deductible plans influenced healthcare spending.

Researchers estimate that if CDHPs encompassed 25% of the policies selected by people with employer-based insurance, cost savings in the non-elderly population would be in the range of 1% to 2% of health care spending. At 75% penetration, savings would range from 5% to 9%. The study found that among families enrolled in CDHPs, about two-thirds of the savings were the result of fewer encounters with health care providers. The remaining third was caused by lower spending per encounter, suggesting patients were making different choices about tests and treatments. Families in consumer-directed plans used fewer brand-name drugs, had fewer visits to specialists and had fewer elective hospital admissions than families in traditional plans. The study found modest first-year reductions in use of highly recommended care such as cancer screenings and routine testing to monitor patients with diabetes. This was despite the fact some preventive care was offered at no cost.

For assistance in developing a CDHP or evaluating how they can work within your organization, contact your Conner Strong & Buckelew account representative.

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