

INSIDE CONSUMER-DIRECTED CARE

News and Analysis of Benefit Design, Contracts, HSAs, Market Strategies and Financial Results

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New HSA Advocacy Group Hopes to 'Export' Health Accounts to Eastern Europe, Canada

A team of health savings account advocates will travel to several Eastern European countries this month to explain how HSAs — or government-funded versions of them — could be incorporated into fledgling health systems as they emerge from decades of communist rule, *ICDC* has learned.

While the U.S. health system is far from perfect, HSA-based coverage is "one of the bright spots" and is being watched closely by policy makers in other nations, says Kevin McKechnie, staff director of the HSA Council, a committee formed by the American Bankers Association (ABA) and its American Bankers Insurance Association affiliate. "They know the weaknesses of our health system, but they see HSAs as a strength because they promote individual responsibility," he tells *ICDC*. "Individual responsibility is something communist governments hindered for generations."

The team was assembled by Dan Perrin, executive director of the HSA Coalition, a Washington, D.C.-based lobbying group. Perrin says he made "a fair number of contacts" in Eastern Europe and Russia while a staffer on the U.S. Committee on Foreign Relations during the height of the Cold War.

McKechnie says they will meet with officials from "the highest levels of government...in some cases the actual head of state" in some countries. The group, he adds, will help government officials understand what works and what doesn't work in the U.S. health system. He declined to name the countries, however, citing political sensitivity issues in the other countries.

Perrin and McKechnie will not be representing the HSA Council, the ABA or the HSA Coalition during their visits. Rather, they will be traveling as part of a new entity

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Insurers Turn to Customer-Service Pros as CDH Transforms Enrollees Into Customers

For most health insurers, customers have always been employers, not employees. Enrollment growth in consumer-directed health (CDH) plans, however, is prompting some health insurers to replace business-to-business models with more of a business-to-consumer approach. While some insurers have turned to third-party firms for help, others have partnered with companies with proven customer-service track records.

"There are so many personal issues that factor into a person's health care purchase that they really need personalized guidance...this is particularly true in an HSA setting," adds Jay Savan, a consultant in the St. Louis office of Towers Perrin.

A June 2007 study from Ann Arbor, Mich.-based CFI Group determined that 61% of consumers considered switching carriers after a bad experience with an insurance company's contact center. The study is based on a survey of 900 people who had contact with a call center from one of six industries. The insurance industry included health plans as well as life and auto insurers. Banking call centers, according to the study, offered superior customer service and good first-call resolutions.

continued

Vishal Agrawal, M.D., associate principal in McKinsey & Company's Washington, D.C., office, says health insurers have historically had a one-size-fits-all customer-service model for members. Efforts to change that model, he says, have been limited in scope. The decision to use a third-party firm or to revamp existing systems "depends on their strategy for customer care distinctiveness, existing organizational model and operational/technical capabilities," he explains.

Health Plans Seen as 'Bad Guy'

Health plans often are perceived as "the bad guy," says Rob Taziolli, chief development officer at Connexion Health, an Orlando, Fla.-based customer relationship management firm.

"Health insurance was built around a business-to-business model, so they're used to dealing primarily with actuarial and underwriting issues," he explains. "They're not used to dealing [directly] with consumers."

Connexion began operations in 1996 as a "business-process outsourcing" firm for organizations such as Olympus Corp. and Mercedes-Benz International. The company began to focus exclusively on health care about four years ago just as CDH was beginning to take root. Its clients now include 25 large health care organizations — 20 of which are insurers. Of the nation's 40 largest health plans, Connexion says it works with nine, and will work with 17 of them by the first quarter of 2008.

Connexions operates two "customer-contact centers," in Florida and North Carolina, and has about 2,000 customer-service representatives. The contact center also houses insurance agents — cross-licensed in all 50 states — who are qualified to assist with the sales, enrollment and benefits management of insurance plan members. The company says it will open a third location, and add about 750 employees, in early 2008.

While outsourcing customer service is an increasingly popular option, health insurers must be certain that the people who interact with their members are able to answer highly technical questions. It's also critical that members think that the person on the other end of the phone is a health plan employee rather than a third-party representative, says Sheri Teodoru, program director and partner at CFI Group, who authored the customer-service study. "We found significantly lower levels of satisfaction from customers who thought they were speaking to [a third-party] agent," she says. "But the much bigger issue is whether the customer thinks their problem has been resolved."

Humana-Virgin Alliance Emphasizes Health

"Insurers are not universally loved or trusted...but that gives us a brilliant opportunity," says Grant Harrison, vice president of Humana Inc.'s integrated consumer experience division. In May 2005, Humana formed a business alliance with Virgin Group, a multi-industry, London-based conglomerate that emphasizes strong customer service. The partnership led to the development of a Virgin-branded and Humana-administered individual health insurance product tied to Virgin's health and fitness reward program. Harrison is a co-founder of Virgin Life Care, Inc.

Health plans deal with sickness and death — times that typically are not the best to establish a relationship with the customer, Harrison says. He suggests that insurers develop strategies to engage enrollees before they get sick and work to keep them healthy. "We are starting to think more about our brand and how to communicate with consumers."

Taziolli agrees that health insurers need to build a relationship with enrollees before they submit a claim. He adds that insurers also should consider enrollees who probably won't use the health care system at all.

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Enrollees who tend not to seek health services are much more likely to switch carriers than are enrollees who have accessed the health system, he says.

"If enrollees don't seek health care, they don't perceive any value from [the insurer]. But from the plan's perspective, those are exactly the people that you want to keep," Taziolli explains. To do that, he says, insurers should reach out to those enrollees and offer perks such as discounted health club memberships.

Humana is using its home office as a test kitchen to come up with new perks and ideas that promote healthy behaviors. Through the company's Free Wheelin program, launched late last month, Humana employees can check out a bicycle at no cost. "Rather than driving a half-mile for lunch, someone might decide to take a bike," Harrison says. About 2,000 Humana employees have signed up for the program. Employees can earn points based on the number of miles they ride.

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Individuals Are More Likely Than Employees to Spend HSA Dollars

HSA owners who have individual high-deductible health plan (HDHP) coverage pulled out 1.6 times as much money from their accounts during the first five months of 2007 as did people who have HSA-based coverage through an employer, according to Lynden Kendrick, vice president at Overland Park, Kan.-based First Horizon Msaver, Inc. The data are based on a sample of 4,600 HSA owners in Tennessee.

Another finding was that employees also made three and a half times as many HSA contributions (during the same period) as did people who have individual HDHP coverage. "This makes sense because many employee [HSA] contributions are made on a weekly, biweekly or semimonthly payroll basis, whereas individuals make their contributions much more sporadically," Kendrick explains. Overall, the average account holder used a debit card or wrote a check 5.5 times during the first five months of 2007. The average transaction was for \$125.14, according to Msaver.

Saving and Spending Grow With Age

While health care spending tends to increase with age among HSA holders, it peaks between the ages of 40 and 49, according to Msaver. Between January and June, individuals in their 40s spent seven times more on medical expenses than did individuals in the 20-to-29 age bracket (\$2,671 vs. \$378). The older employees also contributed about 10 times as much to their HSAs (\$3,440 vs. \$341) as did the 20-somethings, according to Kendrick. After age 50, spending among group enrollees tends to drop off, but it increases again after age 60, he adds.

A much larger sample of 20,000 Msaver accounts nationwide confirmed that people in their 40s contribute more to their HSAs than do both older and younger account holders. They also are most likely to make withdrawals. As of June 1, account holders between the ages of 40 and 49 had an average HSA balance of \$1,419 and an average account distribution of \$813, says Msaver. By contrast, account holders 30 and younger had an average HSA balance of \$679 and an average account distribution of \$300.

Contact Kendrick at lkendrick@firshorizon.com. ♦

HSA Saving and Spending Patterns Among Employees and Individuals			
Age Range	Average Balance	Average Contributions	Average Spending
20-29	\$768 (group enrollee) \$577 (individual)	\$763 (group enrollee) \$341 (individual)	\$410 (group enrollee) \$378 (individual)
30-39	\$996 (group enrollee) \$1,649 (individual)	\$1,263 (group enrollee) \$1,410 (individual)	\$778 (group enrollee) \$732 (individual)
40-49	\$1,402 (group enrollee) \$1,715 (individual)	\$1,804 (group enrollee) \$3,440 (individual)	\$1,048 (group enrollee) \$2,671 (individual)
50-59	\$1,646 (group enrollee) \$2,138 (individual)	\$1,698 (group enrollee) \$2,245 (individual)	\$892 (group enrollee) \$1,091 (individual)
60-64	\$1,720 (group enrollee) \$2,714 (individual)	\$1,784 (group enrollee) \$1,708 (individual)	\$993 (group enrollee) \$660 (individual)
65+	\$1,271 (group enrollee) \$1,426 (individual)	\$1,081 (group enrollee) \$874 (individual)	\$769 (group enrollee) \$395 (individual)
Overall averages	\$1,269 (group enrollee) \$1,883 (individual)	\$1,468 (group enrollee) \$2,221 (individual)	\$838 (group enrollee) \$1,360 (individual)

SOURCE AND METHODOLOGY: Based on data from 4,600 HSAs administered by based First Horizon Msaver as of June 1, 2007.