

NCN in 2009

A Hard Look at Healthcare

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Consumer-Directed Health Plans Offer Hope for Real Health Reform

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There's a bright spot on the horizon for health reform, and it's not coming from a federal mandate. The promise for real reform comes from patients becoming more involved as consumers. Their involvement has been fueled by amazing growth in Consumer-Directed Health Plans (CDHPs), which typically include a high-deductible medical plan option and a health savings account (HSAs).

For the past few years, there has been a lot of buzz about CDHPs. As employees face this new option at open enrollment, more and more of them are taking this route. In fact, CDHPs were the only type of plan to show enrollment growth in 2008 as a percentage of all employees

covered by health insurance—from five percent to seven percent. Among employers with more than 500 employees, these offerings jumped from 14 percent to 20 percent.¹



When the patient becomes the payer, some reform will be a natural by-product, merely from the fact that people are asking, for perhaps the first time, "How much does this cost?" As people have grown up with employer-provided health insurance, they've never had to share any of the premium burden until recently, so a

sense of entitlement has taken hold. When one merely has a \$20 co-pay, there's no incentive to be involved in the financial transaction. Now, consumers will be less likely to tolerate outrageous charges by providers.

While employers are saving money by incorporating CDHPs and HSAs as part of their health plans, consumers are also benefitting by becoming more involved in the healthcare system—a system that desperately needs some rational-thinking consumerism. This health insurance option is a step in the right direction toward a more rational approach to healthcare financing.

Health Insurance vs. Other Types of Insurance

Health insurance is different from every other type of insurance in that it's the primary payment mechanism, not just for expenses that are unexpected and large, but for nearly all healthcare expenses.² We are so accustomed to this, that we don't see how ridiculous it is. We don't pay for electricity with homeowner's insurance or gasoline with auto insurance—we

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¹ American Association of Preferred Provider Organizations (AAPP) 2009 Survey of Consumer-Directed Health Plans, April 2009. http://www.aappo.org/UserFiles/File/2009%20CDHP%20Study/CDHP_Final_Sm.pdf

² How American Healthcare Killed My Father, by David Goldhill. The Atlantic, September 2009. <http://www.theatlantic.com/doc/200909/health-care>



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shouldn't expect routine medical bills to be paid with health insurance. The whole point of insurance is to help mitigate loss from unpredicted and catastrophic events.

Consumer involvement in healthcare already has a success story on which to build. Medical procedures often not covered by traditional health insurance, such as LASIK and cosmetic surgeries, exist in a competitive environment typical of most other industries. People who get procedures like these and other uninsured treatments actually behave like consumers—they have information readily available to them through normal consumer search channels, such as the Internet and advertising. A customer of these services can find price and quality information the same way as they do for most consumer goods and services.³ In behaving like consumers, patients actually drive innovation up and prices down.

Healthcare is the only major industry in which a customer does not have easy access to comparative cost information; however, things are changing. In the face of this burgeoning consumerism movement, hospitals interested in staying a step ahead of their competitors are scrambling to provide improved customer service, including the providing of estimates. Hospitals making this type of effort put themselves in a much better position to generate patient loyalty.⁴



Cost-Based Methodology: Patients Become Consumers

Will Consumer-Directed Health Plans solve all the nation's healthcare ills? No, but they will go a long way in arresting the unsustainable growth of U.S. healthcare costs, which are currently at almost 18 percent of GDP. The government is not known for its expertise in cost reduction; responsible families acting as consumers are. As consumers ask, "What does this cost?" more effort will be forthcoming in providing them information to make better decisions for their families.

NCN works hard at empowering people to be better purchasers of healthcare. NCN's informative website provides consumers the necessary data to make informed decisions about their healthcare costs. Innovative tools, such as NCN's Consumer Scope, utilize cost-based methodology to provide consumers the information they need on hospitals, actual costs, charges and appropriate pricing for any level of medical care.

About NCN—NCN is the national leader in cost management for out-of-network claims. We use cost-based data and transparent reporting to maximize savings on healthcare claims. At NCN we claim a better way for payers, providers and patients.

³ How American Healthcare Killed My Father, by David Goldhill. The Atlantic, September 2009. <http://www.theatlantic.com/doc/200909/health-care>

⁴ Getting a Grip on Billing, by Howard J. Anderson. Health Data Management Magazine, September 1, 2009. http://www.healthdatamanagement.com/issues/2009_70/-38864-1.html



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