Insurer Goes High Deductible—for Its Employees

BY M.R. TRASKA
Contributing Writer

United Healthcare still sells managed care plans to employers, but not to its own workers.

Starting this month, all United Healthcare (UHC) employees have just one major choice for health insurance: a high-deductible plan. Employees will get to choose among different high-deductible packages and will be encouraged to combine those with health savings accounts (HSAs). When combined with high-deductible insurance, HSAs are used to pay out-of-pocket health expenses.

The move into high-deductible plans is a drastic departure from the kind of low out-of-pocket cost, comprehensive benefit package that was once UHC's mainstay. How can the firm reconcile this with managed care?

"They can't," said Greg Scandlen, director of the Center for Consumer Driven Health Care at the Galen Institute, Alexandria, Va. In his opinion, "these hybrid kinds of PPO-type approaches [that UHC offers] don't really work."

High-deductible plans are not exactly new to UHC. Employees and customers have been offered the plans for several years, and both groups have received the product enthusiastically, according to company spokesman Mark Lindsay. Mr. Lindsay declined to estimate how many employees had chosen the high-deductible option previously. He also would not elaborate on specific plan features—for example, whether UHC's plans provide first-dollar coverage for preventive visits as an incentive for patients to get such care.

The move is "a signal that United sees high-deductible HSAs as the wave of the future," said Paul Ginsburg, Ph.D., president of the Center for Studying Health System Change, Washington. He said he sees this move as strong marketing symbolism for United's customers.

Gary Claxton, director of the Health Care Marketplace Project at the Kaiser Family Foundation, Washington, called the change "consistent with a retreat from managed care." In a survey of more than 1,900 employers released last year, the foundation found that fewer than 1% of companies offered high-deductible HSA plans, but 6% said they were very interested in offering them within 2 years, and 21% said they were somewhat likely to offer them. Of firms with 5,000 or more employees, 22% were very likely to offer the plans within 2 years, and 28% were somewhat likely to do so.

The move into high-deductible plans is a drastic departure from the kind of low out-of-pocket cost, comprehensive benefit package that was once UHC's mainstay.

Insurers are starting to plan for those future demands. Blue Cross and Blue Shield plans currently offer HSA-compatible coverage in 34 states for large and small employer groups and in 32 states for individuals. The Blue Cross and Blue Shield Association projects that by 2006, Blue plans will offer HSA-compatible products in all but one state for large employer groups, in 48 states for small employers, and in 44 states for individuals. Even Kaiser Foundation Health Plans, an Oakland, Calif.–based insurer whose main offering is a closed-panel HMO, confirmed that it, too, began to offer a similar high-deductible product last year and planned to combine it with HSAs this year.

"Generally, I'm very concerned" about a significant move into high-deductible plans, said Mila Kofman of Georgetown University Health Policy Institute, Washington.

High out-of-pocket costs can discourage people with chronic diseases, such as diabetes, from getting preventive or maintenance care that would prevent more costly intervention later on. In the longer term, higher deductible plans could actually cost employers more than they save from lowered premiums as more acute illness is treated at later stages, employees end up sicker, and absenteeism increases, Ms. Kofman explained.

Moreover, "I'm not sure that making people pay more out of pocket will make the overall system more efficient," she added. "Insurers haven't been able to figure out who the most efficient providers are, so why do they think that individuals can do any better?" ■