

High-deductible health insurance cuts medical costs, but can leave consumers unsatisfied

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When 400,000 FedEx employees move to high-deductible health insurance plans next year, they could face higher costs and possibly one other issue — dissatisfaction.

FedEx Corp., the Memphis-based cargo hauler, is joining a growing group of large employers nationwide turning to high-deductible or consumer-directed health insurance plans.

Companies expect these plans can help cut their own bills by making workers more cost-conscious health care consumers, but health industry experts say the impact on sick people and medical clinics isn't clear yet.

"The recent decline in the rate of acceleration of health care spending has coincided with the rapid growth of high-deductible or consumer-directed health plans that usually tie to a health savings accounts," said University of Memphis economics professor Cyril Chang. "This has led many to credit the growth of these high-deductible plans for saving billions of dollars for both employers and insurance companies."

But for workers, there also is clear evidence that employee satisfaction with their health benefits drops when their deductibles shoot up.

High deductible plans often are described as those requiring individuals to pay at least \$1,200 and families at least \$2,400 before most or even all expenses are picked up by the plan. Monthly premiums are lower than traditional coverage.

FedEx employees can get an idea of what expenses may be by trying out online health care consumer tools like the Baptist Expense Navigator. It can estimate cash payouts for procedures such as an MRI or spinal tap. To use the tools, consumers need to know details about their own health plans such as co-pays, co-insurance and out-of-pocket maximums.

Chang, director of the Methodist Le Bonheur Center for Healthcare Economics at U of M's business college, helped write a study on the impact of high-deductible health plans on health care use and costs.

"Research data have also shown that the use of emergency room services and inpatient admissions usually go down immediately after people switch to a high-deductible or consumer-driven plan," Chang said. "However, the jury is still out as to the long-term impacts of high-deductible plans on the health of those who switched."

Overall, U.S. health care spending has risen at a 3.9-percent annual rate for three straight years, compared to 6.6 percent in 2009, and a 7.4-percent average annual increase over the three previous decades. The slowing pace may trace to the weak economy restraining use of America's health care system, experts say.

Chang said gathering and studying data about the health system over time can reveal the actual medical consumption patterns taking shape in Memphis and America.

“It is particularly important to continue to monitor the health impact on low-income and minority groups,” Chang said. “We want to make sure that they do not reduce the use of high-value services such as preventive care and effective prescription drugs that are essential for managing their chronic diseases.”

Meanwhile, some data about the users of high-deductible plans has been accumulating. The evidence is clear that employees are less satisfied with high-deductible plans than traditional health coverage, according to an annual Employee Benefit Research Institute Survey.

Out-of-pocket costs help explain the difference, the EBRI reported in September. For traditional plans, 62 percent of consumers in a 2012 survey were extremely or very satisfied with those costs. That dropped to 38 percent for high deductible plans and 48 percent for consumer-driven plans (high-deductible plans coupled with health savings or health reimbursement accounts).

At Baptist Memorial Health Care, there’s no concern that consumers with high-deductible plans will be any less likely to pay their bills, according to the Memphis-based health care system’s chief financial officer, Don Pounds.

In fact, Pounds said, Baptist has seen an increase in dollars collected on the front end when patients seek services and attribute that to high-deductible plans.

“Over the years, as these high-deductible plans have come in, everybody appears to be trying to become a better purchaser of health care, they’ve become more savvy in the process. So I really think that they can manage this.”

Yet, there are indications that some people faced with higher deductibles costs will skip or delay health care, even preventive care that would cost them nothing under their plans.

“The challenge facing our health system is to make sure that we have the cake and eat it too. We want to reduce the use of unnecessary and inappropriate care but not those that work and are cost effective,” Chang said by email.