Definity Consumer-Driven Health (CDH) Impact Study

2003 – 2005 Results Summary

- With the largest CDH membership in the industry, and breadth of service that pairs the financing of health with consumer activation in one organization, Definity Health, a UnitedHealth Group company, is in a unique position to share insight regarding the impact of consumer-focused strategies on consumers and their employers.
  - UnitedHealth Group serves over 1.7 million individuals in consumer-driven health plans, and will administer an estimated 200,000 Health Savings Accounts (HSAs) by mid-year.

- Results of the industry’s first published 3-year analysis of CDH plans of significant size indicate that consumer directed health plans continue to deliver positive financial results for employers, while encouraging appropriate health care utilization among consumers.
  - The 2003 – 2005 study compares cost and utilization among 40,000 CDH members to that of 15,000 individuals enrolled in traditional PPO plans over the 3 years.
  - The still relatively small study sample size – though larger than others can offer during this time period - cannot ensure that all biases for population variables have been completely controlled for in this 4-employer study. However, the significant differences in results between CDH and PPO results after such adjustments provide strong confidence about the value CDH plans can bring to an employer’s health plan offerings.

- A rational, methodical analysis was conducted to adjust for external factors that might cause bias in the results:
  - A closed group of 4 employers was followed over 3 years
  - Adjustments were made to control for variables such as selection/demographics, health status, outliers, benefit plan, geographic mix.
  - In this particular study, the employers experienced significant growth in their CDH enrollment, both organic and from plan consolidation. This experience is similar to the rapid growth seen across the industry for early stage CDH plans. With this type of growth, we would suspect some level of short term favorability in utilization patterns that has not been fully controlled for.
  - Trend results are expressed as a range to avoid a false sense of precision.
  - While the specific results of these four employers may not be precisely replicated at other employers, the significant difference in CDH and PPO results (even after all adjustments) provides confidence about the value CDH plans bring to employer plan offerings without compromising preventive care or health services for the chronically ill.
Key findings include:

- Both before and after adjustments for potential influencing factors, the CDH plan delivered superior performance to the PPO.
- After adjusting for demographics, health status, and geography, cost trend for the CDH plan decreased 3 to 5% on average over the period, compared to an increase of 8 to 10% in the PPO.
- CDH plans had a positive impact overall on employer health costs. The 4 employers included in this study experienced a cost trend on their combined CDH/PPO offerings of just 5% over the entire multi-year study period. This compares to industry and book of business averages of 7 to 9% per year at the time.
- Utilization is favorable under the CDH program as well, both on an observed (unadjusted) basis, and after adjustment for population factors:
  - 3% – 5% more CDH members sought preventive care compared to PPO enrollees.
  - Consumers reduced use of acute health services such as hospitalization (22%), and emergency room visits (14%), while these increased somewhat (except for a small reduction in number of hospital admissions) in the PPO plan. CDH enrollees experienced a slight decrease (8%) in office visits, and are somewhat lower than the PPO.
  - Consumer scrutiny and engagement is observed through reduced utilization of acute health services among the chronically ill.
    - While hospital admissions and emergency room visits decline (18% and 14%, respectively).
    - Office visits remain essentially flat and are comparable to those under the PPO plan.

Prior work conducted by United indicates that the unique consumer activation services pioneered by Definity Health contribute to results such as these through a reduction in cost trend in the first year of 2 to 4%, and 1 to 2% on an on-going basis. (Definity’s activation services include personalized health messaging, consumer skill-focused health coaching, and monthly health statements.)

A related review of Definity Health’s book of business across the same time period indicates relationships similar to those produced in the controlled study of four employers.

- Average annual allowed cost trend for a population of several hundred thousand CDH enrollees during from 2003 to 2005 was 4 to 6%, compared to an externally developed benchmark of 9 to 10%*, and UnitedHealth Group’s book of business of 7 to 9%.
- In a study of this nature, it is not possible to adjust for the numerous variables controlled for in the more focused analysis, but this observation is consistent with improved experience under the CDH plans.

(*Benchmark represents traditional plan designs and was adjusted for demographic consistency with the CDH population.)

Definity Health’s 3-year study of four employers continuously offering a CDH plan alongside a PPO is the first of its kind with significant membership. We are pleased with the favorability of these results and the trend patterns we observe that illustrate the potential value of CDH plan offerings. At the same time, the specific results of these four employers are not likely to be precisely replicable for all others, as suggested by the book of business review. Pricing strategies across UnitedHealth Group’s book of business (fully or partially insured) will reflect expectations based on the credibility and scrutiny that are inherent to the needs and purposes of actuarial practices.

A related, but separate, analysis confirms the direct impact that employer funding has on consumer adoption and funding of Health Savings Accounts (HSAs).
• Integrated data from Definity Health and Exante Financial Services, both UnitedHealth Group companies, establishes a correlation between employer funding strategies and consumer use of HSAs. Of note:

  o The average balance in an Exante HSA is $1,112.00 for accounts that were opened January-March 2005, illustrating that consumers are building savings for future health expenses through these accounts.
  o Approximately 60 percent of employers provide funding to their employees’ HSAs, and on average employers are funding 40 percent of the employees’ health insurance policy deductibles.
  o Nearly 90 percent of employees open the savings account if their employer offers to contribute funding to their HSA.

• We will continue to measure and monitor impact of consumer health strategies and services and look forward to making them available.