

The Case for a Well-Designed High Deductible Health Plan

Cost-Conscious and Employee Centric Health Benefits



Commonwealth is committed to building the financial security of financially vulnerable people. One of the factors that can contribute to financial insecurity is healthcare expenses – the average annual deductible grew 125 percent from 2006 to 2015, causing out-of-pocket health care costs to grow. Part of rising costs may be attributed to the increase in high-deductible health plans (HDHPs). As health insurance markets continue to evolve, employers who offer health insurance are increasingly offering HDHPs.

HDHPs are attractive because they provide short-term cost savings on premiums to both the employer and employee. However, unless they are well designed, HDHPs increase the risk of out-of-pocket healthcare expenses for employees. This can lead to medical debt, delayed medical care, missed work, and loss of productivity in the workplace. Lower-income employees, who may not have access to financial resources, such as savings and affordable credit, are particularly at risk.

Employer-sponsored HDHPs require employees to pay a larger portion of medical care costs before their insurance covers any costs. As the popularity of HDHPs increases, so has consumers' inability to pay for medical costs. While 84 percent of employers offer an HDHP, 59 percent of insured consumers making less than \$44,000 a year say it is difficult for them to meet their deductible.

Atrium Health (formerly Carolinas HealthCare System) is an example of an employer that has successfully designed employee health benefits both to address the concerns of their lower-wage employees while effectively managing the expense.

Atrium Health's Work and Philosophy

A leading health care organization in the southeastern United States, Atrium Health operates 7,400 licensed beds, employs 37,000 people, and has had an annual 11.6 million patient encounters. The organization manages or has strategic affiliations with 47 hospitals and serves patients at more than 900 care locations throughout North and South Carolina. Atrium Health prides itself on the high quality of health care offered to patients and believes equally that the same quality of care should be accessible to its own employees (who they refer to as "teammates").

Atrium Health also sees offering health care benefits to employees as essential to attracting and retaining key talent and therefore providing excellent care to patients. Not doing so would place the organization at a competitive disadvantage for recruiting. Atrium Health understands the relationship of financial well-being to emotional and physical health. Mick Fisher, Senior Vice-President in HR at Atrium Health, notes, "At Atrium Health, we want teammates to be comfortable knowing they have benefits that meet the majority of their needs."

The following principles guide Atrium Health's health plan design:

For employees and their families:

- Promote informed health care decisions through education, tools, and resources
- Actively engage employees and their families in their health
- Strive to improve health outcomes and create mutual accountability for care

For the organization:

- Ensure benefits support efficient delivery and utilization of health care using the most appropriate care delivery providers and models from an overall value perspective
- Offer health benefits that are market median and consistent with regional and national health care, as well as all industry, standards
- Exhibit good financial stewardship by achieving annual health plan cost increase that is below projected health plan inflation



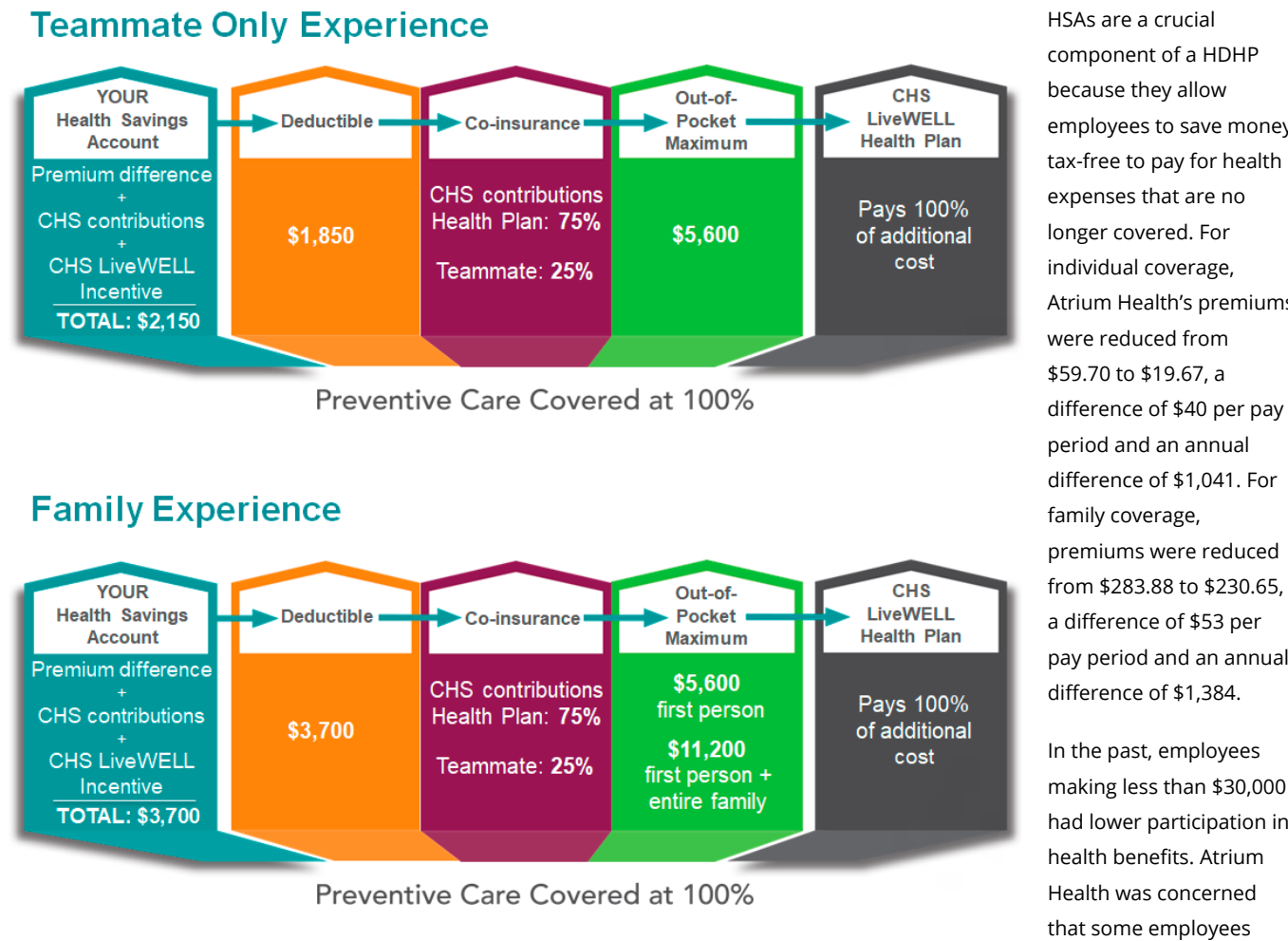
Why Atrium Health Switched to HDHPs

Starting in 2015, Atrium Health gradually began transitioning its employees to a HDHP with a goal to have all employees transitioned by 2016. Atrium Health drew on research conducted by Mercer finding that HDHP plans with accompanying health savings accounts (HSA) led to lower utilization rates of health services and lower costs for both the health plan and the employee. This was particularly attractive to Atrium Health; as a self-insured organization, it assumes the financial risk of paying for all health care used by employees. Any savings for the employee are ultimately savings for the company.

The changing health care landscape was also a factor. HDHPs were becoming more prevalent, with almost every large employer in Charlotte offering one. As a health care organization, Atrium Health felt it important to be a part of this transformation. Offering a HDHP to its employees provides Atrium Health with the opportunity to directly understand the patient experience with these types of plans.

Designing the HDHP Benefit to Lower Cost

Atrium Health branded its HDHP health plan the ‘LiveWELL Health Plan,’ linking it to its employee wellness program brand, LiveWELL. The 2016 LiveWELL Health Plan had significantly lower premiums than the 2015 non-HDHP ‘Choice 20 Plan.’ When Atrium Health decided to change its health plan offerings and make an HDHP the only option, it did so with the knowledge that it would also offer all of its employees an accompanying health savings account (HSA) into which the premium savings could be deposited.



would be unable to afford the higher out-of-pocket expenses associated with the HDHP, further decreasing participation. To address this concern and make the LiveWELL Health Plan more affordable, Atrium Health reduced the premium for individual coverage by 50 percent for employees in this income bracket, decreasing it from \$19.67 to \$9.52 per pay period.



Employer contributions are also a part of the LiveWELL plan. For individual employees, there is an annual seed employer contribution into the HSA of \$100, and Atrium Health matches employee contributions up to \$250 annually. For employees enrolled in the family plan, the seed contribution is \$350 with a match of up to \$750. For employees with an annual base salary less than \$30,000, there is an additional employer contribution of \$200. Atrium Health also offers six LiveWELL incentives totaling up to \$750 for employee-only coverage and \$1,050 for family coverage.

Communicating Changes to Employees

To communicate changes in the health benefit to employees, Atrium Health created an aggressive strategy that included utilization of channels such as workshops, marketing materials, and a microsite. The campaign was titled simply “Your Health and Retirement” and marketed with the slogan “Plan. Partner. Participate.” to encourage employees to:

- 1. Consider unexpected life events, reflect on current and previous use of the health plan, and plan to save what they currently pay in premiums in their HSA.
- 2. Take action and save for health and retirement.
- 3. Learn how to earn their full Atrium Health LiveWELL Incentive and use the resources on the “Your Health and Retirement” website.

The workshops communicated how the LiveWELL Health Plan works and the relationship between retirement and the health plan. Atrium Health explained to employees that the plan would have a lower premium and a higher deductible and included a HSA. Employees were encouraged to contribute the significant premium difference “savings” to their HSA.

Additional print, digital, and even media communication tools further educated employees. These materials included posters, reference cards, fact sheets, weekly emails, and a ‘Fund Your HSA’ campaign.

Understanding the Impact of the Changes to the Health Plan

Atrium Health evaluated the success of their transition to the new health plan using three measures: financial impact for Atrium Health and employees; employee engagement/satisfaction; and health care utilization rates for employees.

Financial impact for Atrium Health and employees

Atrium Health’s evaluation of the 2016 health plan showed that the organization spent 17% less in 2016 than it did in 2015. In addition, employees had \$54.7M in their HSAs and 75 percent of employees never reached their deductible limit. The review also showed that employees spent 17% less in 2016 than 2015 on health care expenses.

CHS LIVEWELL INCENTIVE

Participate in activities focused on your health and prevention.
Don't Leave Money on the Table! Fund your Health Savings Account (HSA) by earning up to **\$750 for Teammate-Only coverage or \$1,050 for Family coverage.**
Access your CHS LiveWELL Incentives from work, home or mobile device at [LiveWELL.CarolinasHealthCare.org](#)

Incentive	Reward
LiveWELL Health Survey	\$100
Health Coaching	\$100
Know Your Numbers	\$100
Financial Health and Virtual Tools	\$100
▲ COMPLETE ALL 4 ABOVE AND RECEIVE A \$50 BONUS ▲	
Healthy Weight Reward	\$300
Family Health Incentive*	\$300

*For teammates with Family coverage under the CHS LiveWELL Health Plan

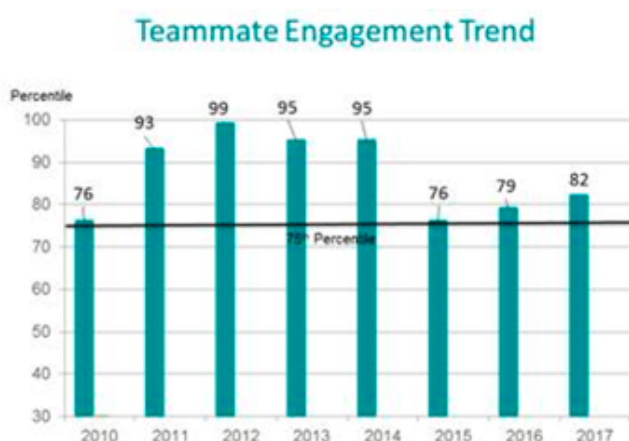


Changes to its plan design have allowed Atrium Health's LiveWELL Health Plan to realize lower inflation rates than health care peers in three of the last five years. The transition to HDHP also resulted in a lower per employee/per year health insurance cost than industry peers. Further -- and importantly for employers of lower-income workers -- the design of the LiveWELL health plan led to a six percent increase in participation by employees earning less than \$30,000 (since 2016, 13 percent of these employees have joined the plan). In addition, Atrium Health's employee turnover rate remains between 10-13 percent, well below the industry average of 19.2 percent.

Employee engagement

Atrium Health has been above the 75th percentile since 2010 and from 2011 to 2014, they were in the top decile for employee

engagement. Despite a dip in 2015, attributed to employees' anxiety over the change in health plans, engagement is on the rise as employees become more comfortable with the new plan.



Health care utilization rates for employees

An argument against HDHPs is that they drive consumers to not seek care when needed. Atrium Health's experience has been that employees are still accessing care. For example, the utilization rates for preventative care, such as mammograms, has remained steady.

Another measure of utilization is pharmacy adherence levels - the rate that consumers are getting their prescriptions refilled. A key observation

from Atrium Health's first year of this switch was that pharmacy adherence levels in fact increased in 2016 compared to 2015. In addition, although utilization is trending lower across-the-board, employees with chronic conditions are utilizing specialists and primary care providers at a rate similar to prior years.

Considerations for Other Employers

Atrium Health's strategic decisions about the design and roll-out of the LiveWELL Health Plan were critical to the successful transition to a HDHP-only benefit. Each of the following components were included to ensure the best experience for employees:

- *Transferring employee premium savings.* Atrium Health coupled the lowered premium associated with the HDHP with active education for employees to put those savings into their new HSA.
- *Incentivizing desired behavior.* Atrium Health effectively leveraged part of their corporate savings to get employees to contribute more to their HSAs. By providing matches and rewards for taking certain actions, Atrium Health moved its employees to grow their savings.
- *Active education about how a HDHP works.* Atrium Health invested considerable up-front effort in educating its employees about the advantages of the new plan and how to maximize its value.

As with any major organizational change, Atrium Health had to overcome initial concerns and skepticism among employees. After two years, the new plan has better met the needs of the organization and the employees, borne out by lower cost, sustained enrollment levels, appropriate health care utilization, and positive employee engagement.

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