

Joint FTC/DOJ Hearings on Health Care and Competitive Law and Policy

Financing Design / Consumer Information Issues

Presented by

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June 12, 2003

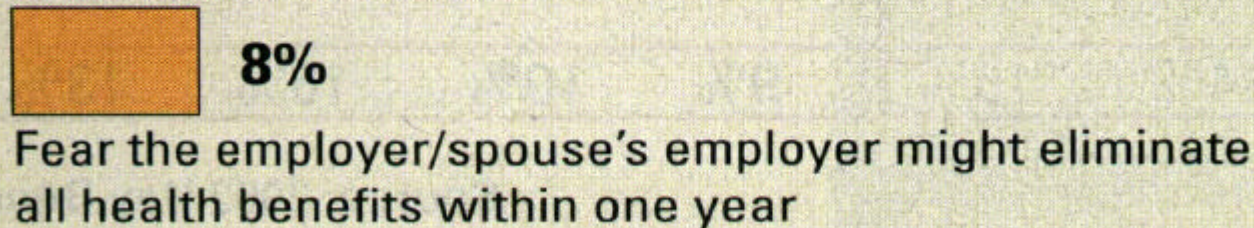
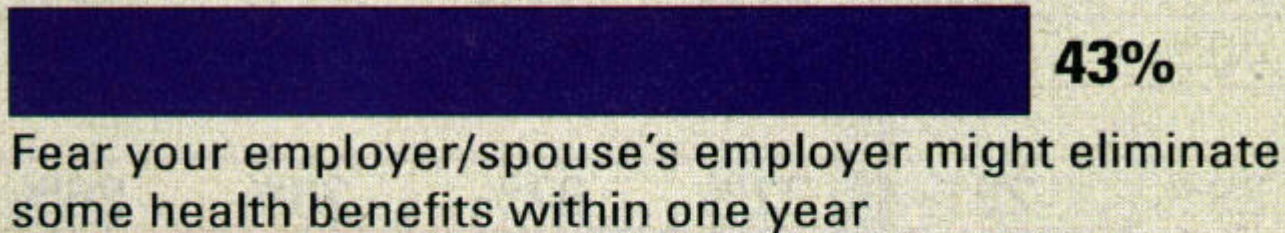
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1. How effectively do employers reflect the preferences of their employees in designing and implementing health insurance coverage?

- Employees want good coverage at a reasonable price.
- Employees get
 - Choices
 - Catastrophic coverage
 - Preventive benefits
- Employees would like
 - Lower cost
 - Coverage for alternative treatments
 - Administrative ease
 - Coverage after retirement

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Employees fear health benefit cutbacks



Source: Robert Wood Johnson Foundation survey of 800 registered voters, January 2002

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2. What distortions result from making employers the nexus of health insurance?

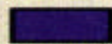
- Benefit levels, types of plans and costs vary by employers'
 - Ability to pay
 - Need to be competitive
 - Motivation to recruit and retain quality employees

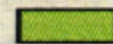
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3. Are there off-setting advantages associated with having employers involved in the health insurance market?
- Employers are in better position to manage the delivery of health care benefits
 - Understand the needs of employees
 - Locally based
 - Can hold vendors accountable

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Percent of Small Businesses Offering Health Benefits, by Number of Employees

 Offer health insurance

 Don't offer health insurance



Note: Small businesses represent United States companies and organizations with 3 to 24 employees.

Source: The Kaiser Family Foundation *National Survey of Small Businesses*, April 2001 (conducted May-July 2001)

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4. What changes have there been in the structure of employment-based health insurance in recent years?

- Move away from tightly managed HMOs to loosely managed PPOs
- More cost sharing with employees
- More choices of plans
- Consideration of dropping coverage
- Consideration of CDHPs

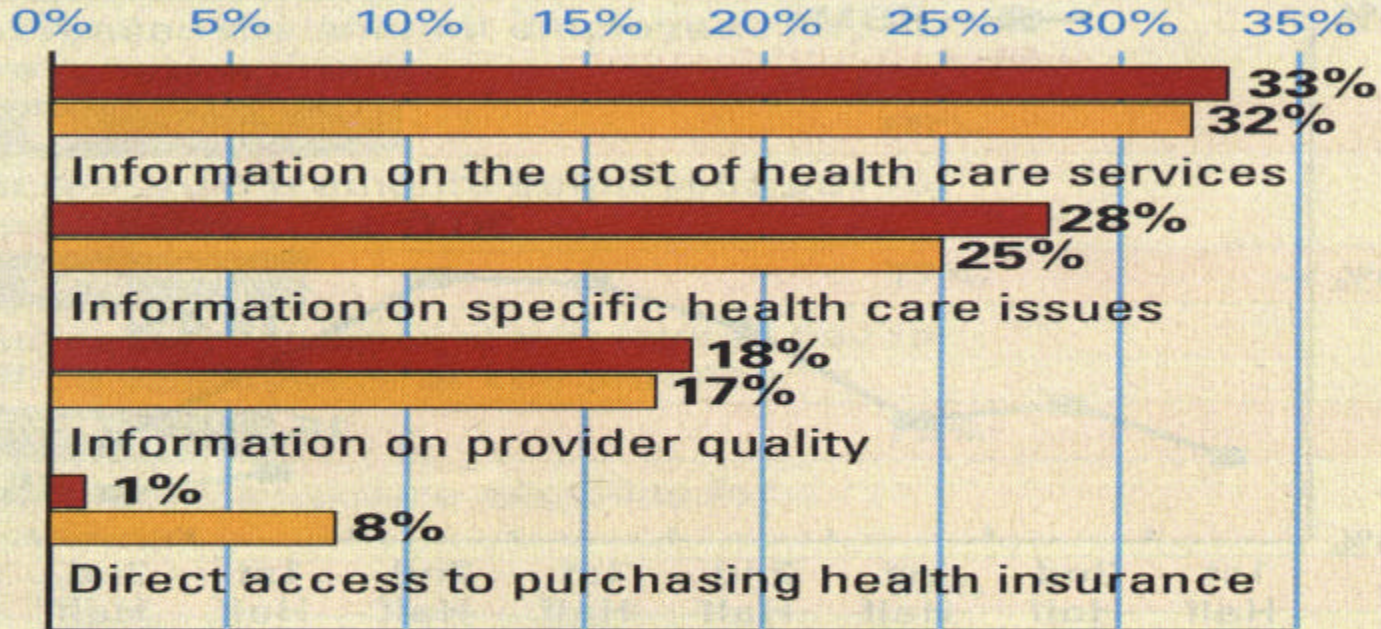
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5. What information is disclosed to employees in connection with obtaining health insurance?
- Description / Comparison of benefit plans and costs
 - Employer's cost and benefit strategy
 - Lists of network providers
 - Web-based healthcare resources
 - Compliance information (HIPAA, COBRA, etc.)

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Access to Health Care Information

Percent of Employers Who Provide Employees with



■ Currently in Place ■ Planned in the Next Year

Source: Watson Wyatt/Washington Business Group on Health

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6. How does employment-based health insurance differ from insurance available in the individual market?

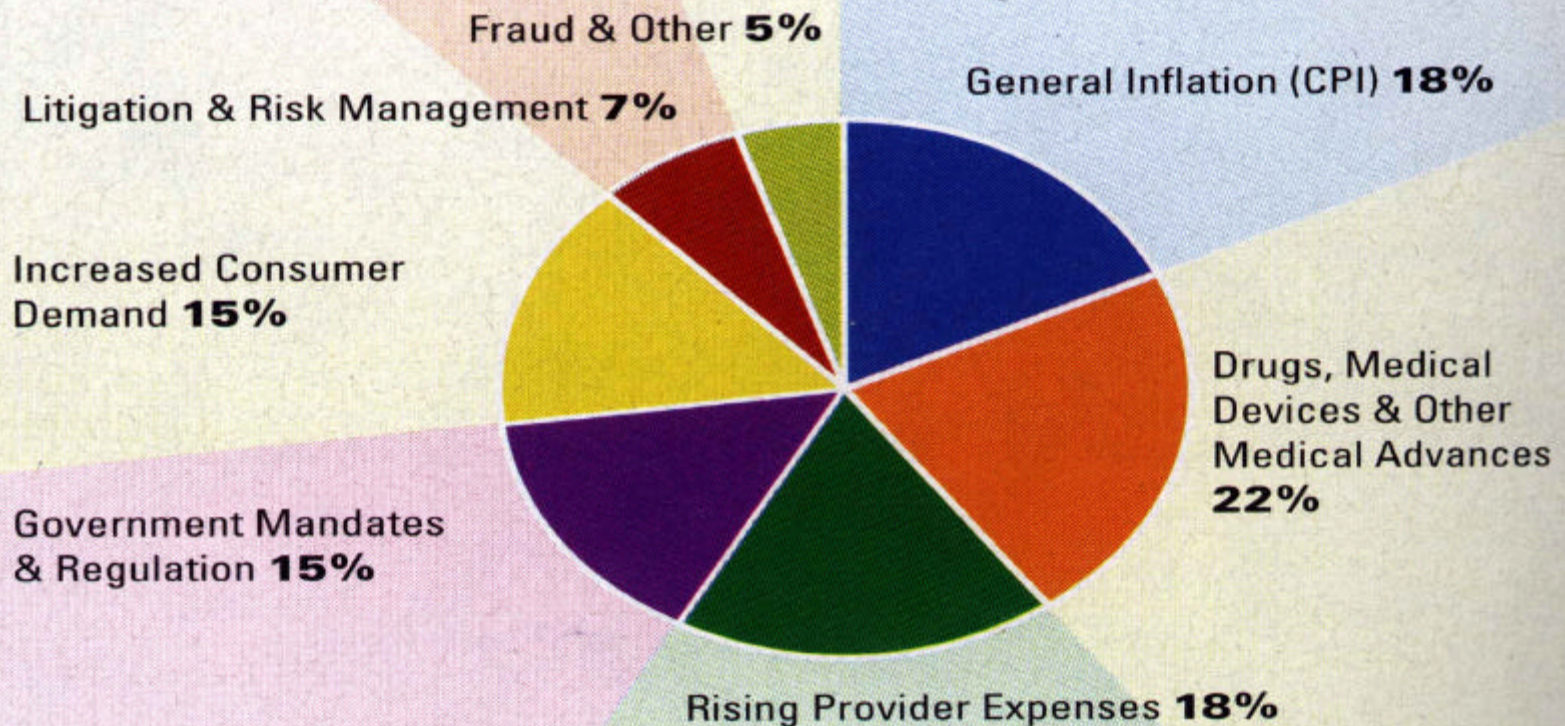
- Group underwriting – plan takes all risks
- Broader coverage
 - Rx benefits
 - Alternative treatments
- Guaranteed costs for longer period

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7. What are the effects of regulation on the cost and content of the health insurance products available in the market place? Does such regulation correct for specific failures in the market for health insurance coverage?
- Mandated benefits add costs to plans
 - Pennsylvania – 14 mandated benefits / coverage for health insurance coverage
 - Minimum benefit levels and providers covered are a concern

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The Factors Driving Rising Costs in Health Care (2001-2002)



Source: PricewaterhouseCoopers, April 2002

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8. Has the emergence of new forms of health insurance coverage (POS options, CDHPs, and HRAs) had an affect on the health insurance market and the regulatory environment?

- More choices for employers / employees
- Concern about ability to manage future cost trends
- Concern about future tax consequences