

Communicating a Consumer-Driven Healthcare Program

Turning Two Negatives Into a Positive

By Dennis Ackley

The consumer-driven healthcare plan bandwagon is picking up speed. Employers who are jumping onboard are hopeful of the destination – better cost controls through better employee-made buying decisions.

Some organizations are adding a consumer-driven design as a healthcare plan option for employees – fewer are introducing it as the employees' only available coverage.

Of course, good communication is the key to successfully introducing new employee benefit plans.

So what's tough about communicating a consumer-driven healthcare plan? It's simply a high-deductible plan plus a spending account that has some new twists.

Here's the problem. Employees don't like high-deductible plans and they aren't very fond of spending accounts either.

Most people won't buy car or home insurance with a \$1,500 deductible. So they will not think it's a *high deductible medical plan* – it's *astronomical*.

Employees have grown accustomed to the \$10 to \$20 "copay." It makes a trip to the doctor cheaper than a haircut (in hindsight, a counter-consumerism plan design). Depending on the design of the high-deductible plan, employees will pay around 70 to 120 times that amount before the plan pays benefits. That can leave a nasty first impression.

To top it off, they'll be getting something that sounds very similar to the unpopular Flexible Spending Account – renowned for its "use it or lose it" feature – with participation rates often in the single digits.

To help you turn these two negatives into a positive – and avoid getting splinters jumping on the consumer-

driven healthcare bandwagon – add these six steps to your communication plan:

1. Communicate the radically new "program" in an entirely new way
2. Anticipate and manage employees' emotional reactions
3. Teach the users how to be healthcare consumers
4. Use consumer terms, not insurance lingo
5. Remarket the conventional Flexible Spending Account
6. Align the communication with your business and people strategies

Successfully introducing employees to the new consumer-involved approach to healthcare takes a new approach to communication.

Communicate the new way in a new way

If you were to use conventional communication approaches, you'd start by describing how the new healthcare plan works.

Communicating a consumer-driven plan this way would be wrong.

The main feature of the consumer-driven approach – the part every employee will use and needs to understand – is the account.

Employees will expect to hear about the medical plan first because that's what they're accustomed to. That's why you'll need to emphasize that the new approach is something they've not seen before. It has familiar concepts, but they're used in entirely new ways. The most radical difference is that the foremost element of the new "program" is the account – not the medical plan.

About the "program"

This new approach is a "program." The new account and the medical plan must be communicated as two parts of one thing. Individually, the two parts are

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negatives. But present them as a single program and you can turn them into a positive.

In many ways, it's a throwback to the "basic and major medical plan" days. (Ask a senior benefits person.) Those two elements were always communicated together. So should be the two parts of consumer-driven healthcare.

Be sure the "program" concept is reflected in the name, such as: "The Careful Buyer's Health Program," "The Healthcare Purchasing Program," or "The Consumer Involved Medical Program."

About the Account

It's often effective to teach people something new by comparing it to what they already know. That would be the, "new account is just like the Flexible Spending Account – but different" approach.

That's *not* a good way to communicate the new account. Here's why. Because your current Flexible Spending Account (or whatever it's called) is likely not widely used, most employees probably don't know how it works or what's covered.

But more importantly, comparing the new account to the existing spending accounts unintentionally conceals two key points:

- the company – not the employee – puts in the money, and
- all the money in the account at the end of the year automatically stays in the account for use in the next year.

What to call things presents another benefit communication challenge. For most employees, healthcare reimbursement arrangement, personal benefit account, flexible spending account, and medical spending account all sound like synonyms.

Since the new account has key differences, why not give it a distinctive name – one that helps describe what the plan does? Perhaps call it a "fund." You might consider: "Medical Buying Fund," "Healthcare Consumer Fund," "Medical Purchasing Fund," "HEALTH/CAREful Buyers' Fund" or the "It's Your Money Fund."

However, don't name any part of the program something that the administrator will call something else in its printed materials, website or call center. For example, naming the medical plan the Major Cost Protection Plan makes sense in a consumer-driven healthcare program. But if the plan administrator calls

it the Custom PPO, this will cause confusion among employees. Ask your administrator to support the communication effort by using names that are aligned with the consumer-driven concept. Names matter. They can reinforce the purpose of the plan. Employees might wonder why the "Custom PPO" doesn't cover smaller expenses. But that's less likely to be a question if the plan is named the "Major Cost Protection Plan."

The Fund can help employees purchase all types of needed healthcare that has been approved by IRS provided the expense was incurred while covered by the Fund and not paid by another source. You should list some of the commonly covered expenses. Although you want employees to "spend it like it's your money," you may want to keep the focus on using the Fund for the medical plan's eligible expenses.

If employees rush to spend the Fund in January for their laser eye surgery and their spouses' designer prescription sunglasses, they may have a tough time paying the \$1,500 deductible for a broken leg in February. The objective is not to spend it or lose it. Show employees the importance of accumulating money in the Fund from year to year to help pay for unexpected bills down the road.

About the Medical Plan

In a consumer-driven healthcare plan environment, you must change the way *all* medical plan options are communicated.

For example, on every comparison chart showing the various medical plan options, the top row should show the Company-paid Fund. Obviously, all the options will show "not available" except for the consumer-driven program. In the next row down in the comparison chart, list the total lifetime benefit that is payable from the Company plans. This emphasizes that the consumer-driven program can pay the same high-end benefits as the other options. (By the way, to avoid a potential legal issue, don't repeat the amount under each option – show it once across the row covering all plans.)

Whenever you reference the Medical Plan deductible, add a reminder about how the Company's contribution to the Fund can help pay those expenses.

Maintaining positive employee morale is the overall goal

One of employees' greatest fears is being unable to obtain or afford needed healthcare – especially for their family members. The news stories of employers cutting benefits and increasing employees' contributions only heightens concerns. In addition, the rumor mill usually spreads the word of impending bad news about the company healthcare plan.

Any wonder employees are apprehensive about communication regarding the company's healthcare plans?

In the first few moments of any healthcare explanation – in print, electronic, or face-to-face – employees need to hear the company acknowledge that the healthcare plan is:

- the most important benefit employees have,
- among the company's top human resources priorities and,
- the company's fastest growing business expense.

To help alleviate employees' concerns, assure them with words like, "Even though our new healthcare plan is an entirely different approach, it covers visits to your doctor, emergency room treatment, hospitalization, and prescriptions ... and it provides millions of dollars of protection over the lifetime of each enrolled person." And be sure to promise that no question will go unanswered.

With those things said, you can explain that having an affordable healthcare plan is essential – to employees and the company. (see "*Taking Care in Communicating Healthcare Plan Cutbacks*" at www.dennisackley.com)

Employees need to know that double-digit percentage increases are forecasted for the current-style healthcare plans for the years to come. That's a financial situation that cannot be sustained. And cutting benefits, boosting employees' costs, and hoping the increasing cost of healthcare will slow isn't a solution. It's time for a new approach to healthcare plans.

Attention to emotional concerns is especially important if the consumer-driven healthcare plan will be the only coverage offered.

Teach users to be consumers

Creating savvy healthcare consumers out of people who have never asked for prices, shopped for value, or evaluated quality in healthcare will take time and effort.

Much like helping employees learn to use your 401(k) plan, you'll want offer a healthcare consumer education program. As with retirement education, you'll need to define what the users of the program need to know, who will teach them, what they will do with that knowledge, and how success of the education effort will be measured.

Your education strategy should include bringing healthcare professionals into the workplace to lead workshops in how employees can become effective healthcare buyers. You'll also want to make employees aware of resources from libraries, local healthcare service organizations, the Internet, and of course, the plan administrator. Be sure to reach all the healthcare buyers including enrolled spouses and other dependents.

Switch from "insurance pays" to "consumers buy"

In a consumer-driven program, the tone of the communication should match the program's purpose. For example, "the insurance plan pays ..." needs to be replaced with "our program helps you buy...."

Part of the current problem with healthcare plans is that too many employees believe they are using some insurance company's money to pay their bills – because that's what they have been told. Read your healthcare booklet. Count the times you see words like these: the insurance company pays ... your premiums are ... your coinsurance is... on the insurance company's form ... your claim check from the insurance company ... and so on.

Healthcare plans are a business expense like rent, advertising, payroll, and raw materials. Don't hide that fact by filling your communication with insurance lingo.

Also review the tone of the text in the Explanation of Benefits that will be sent to employees. It may have been written to work with \$100 deductible plans. It should include a description of how the Fund can be applied to the high deductible.

A New Approach to Communicating Consumer-Driven Healthcare Program

Here's an example of the new approach to communicating a consumer-driven program ... showing the Fund first, then the medical plan as a "backup" for major expenses, and using a "buying tone" ... Here's how *Your Careful Buyer's Health Program* works...

It's Your Health Fund ... your buying power

For each year you are eligible, ZZBcorp puts **\$1,000** in the *It's Your Health Fund* for you to buy the eligible healthcare services you decide are needed. This includes preventive care and checkups plus the medical treatment and services you buy for you and your eligible family members. What you don't spend automatically stays in your Health Fund for you to use next year. The Fund amount is intended to pay most of the annual healthcare expenses for the majority of employees. If you need to buy more healthcare services, you are covered by the Major Cost Protection Plan.

It's Your Major Cost Protection Plan ... your shield against huge expenses

It provides protection from enormous medical expenses – up to \$5 million in benefits during the lifetime of each enrolled person.

In each calendar year, you decide how to use the **\$1,000 ZZBcorp money** in your Health Fund to help you pay the first **\$1,500** of eligible medical plan expenses (the deductible) for each enrolled person. The maximum deductible for all your enrolled family members is **\$3,000**.

After the deductible each year, the *Major Protection Plan* helps you pay eligible medical expenses ...

- **80% of the next \$12,500** for that person. You pay remaining charges for that person until you have paid \$2,500 in eligible expenses – not including the deductible. This is called the out-of-pocket maximum. If you have even higher expenses, the Plan helps you pay ...
- **100% of the remaining eligible expenses** for that person during the year. If you pay **\$5,000** toward the out-of-pocket maximum (not including the deductible), the plan pays 100% of the remaining eligible expenses for that year for all your enrolled family members.

You also can elect to use Your Healthcare Spending Account.

Remarketing Flexible Spending Accounts

For employees who expect to have sizable expenses under a consumer-driven healthcare program, the conventional Healthcare Spending Accounts become more important. You'll need to re-educate employees about how the tax-free Account works, what it covers and how it can help employees buy additional medical services and supplies.

The way the laws and guidance are written, you'll need some legal and administrative help to allow employees to be reimbursed with the Spending Account's "use it or lose it" money before they can spend the Company's contribution in the Fund (which is not forfeited at the end of the year). By having the Spending Account pay first, the money in it is less at risk than if it pays after the Fund. If employees must spend the entire Fund to

get to their "use it or lose it" money, expect participation in the Spending Account to be extremely low.

Setting the strategy

The tactical techniques outlined here must be put to work in a way that supports and is aligned with your organization's business and people strategies. In doing so, some of the techniques will likely include communication that is people-to-people, leadership-involved, jargon-free, and well-orchestrated (the same message is delivered through every touch point – people, paper, electronic – as close to the same time as possible). The communication needs to be complete and assertive. Don't leave the impression that employees must ask the right question to get an answer – a reason not to use a Q&As format in the initial communication.

The “I Wish” planning technique can help you set the direction and clarify the expectations for your consumer-driven healthcare communication. Get your communication team to fill in the blanks: “I wish we could create the perfect healthcare plan communication that would ...

- get all employees to understand _____
- use the most effective communication techniques including _____
- accomplish these key things _____
- overcome these obstacles and problems _____
- eliminate frequent employee misunderstanding of _____
- alleviate the uncertainties of _____.”

Possibly the most important question to answer is: “If we truly want to help employees become better healthcare consumers, we would _____.”

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Step One in Becoming a Better Healthcare Consumer

A sample message for employees ...

You probably have a good idea of how much it costs to buy a TV, shoes, tires, or a jacket. That’s because you’ve paid for these in the past or you’re considering buying them in the future. Knowing the price is a key step in becoming a smart shopper.

But do you know the price of using an emergency room for a non-emergency, or how much more a brand-name drug costs than a government-approved generic, or the price of an extra night’s stay in the hospital?

The ZZBcorp trusts employees with our most valuable assets – our customers. In our new healthcare program, we trust employees to use the Company’s money to make good healthcare buying decisions. Spend the Company’s money for your healthcare just like it’s your own ... because it is.

Certainly, buying healthcare can be far more important and challenging than buying a TV, clothing, or a car. Yet, as you become more involved in healthcare purchasing decisions, your consumer skills will grow ... ensuring the money is spent wisely.



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Dennis Ackley is a nationally recognized leader in benefit communication and retirement education. His innovative, award-winning communication programs have reached more than three million employees on topics such as retirement planning, investing, health care, benefit choices, pay, and incentive plans. Dennis has created communication campaigns for hundreds of the country’s largest employers. He has written more than four dozen articles for such publications as *HR Magazine*, *Benefits Quarterly*, *Employee Benefits News*, and *Communication World*. He is a featured speaker at scores of conferences including the International Foundation of Employee Benefit Plans, Profit Sharing/401(k) Council, the PBGC, The Conference Board, Pensions & Investments, and Benefits Management Forum and Expo.

For more articles about how to improve retirement education, search the Internet for “Dennis Ackley retirement.”