

Communication, Information Tools Critical to Success of Consumer-Directed Health Plans, Watson Wyatt and RAND Corporation Study Finds

Press Release

WASHINGTON, August 7, 2007 – Most employers that offer a consumer-directed health plan say communicating with workers about these plans is their greatest challenge. Additionally, most employers are not pleased with the availability of information on provider cost and quality, according to a new study conducted jointly by Watson Wyatt Worldwide, a leading global consulting firm, and the RAND Corporation, a non-profit research organization.

Nearly all of the respondents – 90 percent – cited employee communication as their greatest challenge in introducing the consumer-directed health plan (CDHP) and during the plan's first year. Employers, on average, began communicating information about the new plan to workers four months prior to open enrollment. The study was based on 42 large employers that offer a CDHP to their workers.

"The 'consumer-driven' part of consumer-driven health plans means that workers need to be engaged, and that can't happen without effective communication," said Ted Nussbaum, North America health care practice director at Watson Wyatt. "These plans are different from those that most employees previously had, and it's not a simple task to encourage employees to carefully review their options and learn how consumer-directed plans work."

Employers concur that getting employees to enroll in these plans can be difficult when they also have more traditional health plan options. The study found that employers were most likely to achieve high levels of CDHP enrollment when they devoted additional time and resources to communication, forced employees to make an active choice at open enrollment and offered financial incentives in ways that enhanced the appeal of the CDHP.

Another challenge that employers face when offering a CDHP is providing workers with information they need to help make good decisions about health care cost and quality. The study found that employers are generally pleased with Web-based, out-of-pocket cost calculators for employees. However, they find that specific resources needed to help workers evaluate the cost and quality of care from specific providers are often lacking. Just 2 percent rated cost information about health care providers as excellent, and 5 percent rated it as good. Only 10 percent rated information on the quality of care as good; none rated it as excellent.

“Provider cost and quality tools that help employees make smart, cost-effective decisions need to be part of the consumer-directed health plan package.” said Melinda Beeuwkes Buntin, co-director of RAND’s Bing Center for Health Economics and co-author of the study. “Better information tools would promote employee engagement and help workers select the health plan that is best for them.”

“Employers have high expectations for CDHPs,” said Roland McDevitt, director of health research at Watson Wyatt and co-author of the study. “While their early experiences are favorable, the success of the plans will ultimately hinge on whether employers can provide employees with decision support tools that will empower them as engaged consumers.”

The multi-year study is jointly funded by the California HealthCare Foundation and the Robert Wood Johnson Foundation. The RAND Corporation is the lead organization, with Watson Wyatt serving as a research partner. Copies of the research brief, “The CDHP Implementation Experience with Large Employers,” are available at www.watsonwyatt.com/cdhp.

About Watson Wyatt Worldwide

Watson Wyatt (NYSE: WW) is the trusted business partner to the world’s leading organizations on people and financial issues. The firm’s global services include: managing the cost and effectiveness of employee benefit programs; developing attraction, retention and reward strategies; advising pension plan sponsors and other institutions on optimal investment strategies; providing strategic and financial advice to insurance and financial services companies; and delivering related technology, outsourcing and data services. Watson Wyatt has 6,700 associates in 31 countries and is located on the Web at www.watsonwyatt.com.

About RAND Health

RAND Health is a research division of the RAND Corporation, the first organization to be called a “think tank.” For 60 years, RAND has been working to improve policy and decision making through research and analysis. RAND Health continues that tradition, advancing understanding of health and health behaviors and examining how the organization and financing of care affects costs, quality, and access for Americans and for citizens of other countries. More information can be found at our website www.rand.org/health