Many employers have begun moving toward health care consumerism strategies designed to encourage employees to take more responsibility for their health care and the cost of that care. Recent surveys suggest ways employers can ensure their consumerism strategies succeed in engaging employees and, ultimately, encourage employees to change their behavior. This article describes what those surveys reveal about employer and employee perspectives on consumerism and suggests steps employers can take to align their interests with those of their employees in order to manage the demand for and use of health care.

The continuing rise in health care costs poses a growing dilemma for United States employers in today’s global marketplace. Most employers simply can’t afford ongoing cost increases of this magnitude year after year in a competitive marketplace. But they can’t abandon their current commitments either, as they compete in that same marketplace for talent and strive to sustain the positive work environment needed to run a successful business.

Against this backdrop, employers nationwide have been looking for new approaches to slow the growth of health care costs. Unfortunately, there are no easy answers. The “single solution” savings offered by managed care in the 1990s are far behind us and vendor management approaches, on their own, have had limited impact. As a result, many employers have been moving toward health care consumerism strategies designed to encourage employees to take more responsibility for their health care and the cost of that care.

Under managed care, employer-sponsored plans limited employee choice and decision making through various “gatekeepers” (hence controlling supply). But they paid all or most of the cost of covered health care services, typically leaving employees responsible only for premium payments and small out-of-pocket copayments when they used specific services. Thus, employees had little incentive to be vigilant consumers of health care, because their health plans paid for almost everything and effectively shielded them from understanding the total costs of their choices.

Consumerism strategies, by contrast, typically focus on managing demand by educating employees about health care and costs, and by ensuring that employees pay a more meaningful portion of the cost of care. This encourages them to make informed decisions about a broad range of health-related issues—from lifestyle choices (e.g., diet, exercise, smoking) to the type of health plan they select to how and how often they use health care services and which providers they choose. To succeed, consumerism strategies must engage employees and, ultimately, encourage employees to change their behavior.

How do employees view this new framework? Are they receptive to employer-provided health care education and to health plan changes designed to give them “more skin in the game” when using health care services? Are employers pursuing the right tactics given several years of post-managed care cost shifting and employees’ current mindset?

Recent Towers Perrin surveys of employers and employees provide important insights into these questions and the overall health care dilemma facing U.S. employers today. Among the key findings:

- Many corporate managers and executives view consumerism as a potential solution to their health care cost problem and are moving quickly to introduce a range of
plan design and employee education tactics to promote consumer behaviors.

- At the same time, however, employees themselves are far from engaged in consumerism today and, in fact, have become increasingly resistant to their employers’ cost-management efforts. Not surprisingly, employees are clearly focused on their self-interest and the impact on their financial well-being while employers have been focusing largely on the company’s interests.

- Taken together, our data suggests that, for consumerism strategies to be effective, employers will need to address the fundamental disconnects that have emerged between employee and employer views on health care today.

Fortunately, our research shows that employees are open to their employers playing a role in helping them act as informed consumers of health care. So, a win-win solution is possible with the right approach—one that effectively aligns the interests of employers and employees to manage the demand for and use of health care.

The employee perspective

Based on our 2004 health care consumer data, it’s clear that employees remain focused largely on the increase in their own share of health care costs, apparent to them largely in the form of higher contributions for health care benefits or low reimbursements at the point of care. This is understandable, given that many employer communications about health care and benefits have also focused on cost issues, especially the cost to the business.

In a nutshell, relatively few employees are buying the company line about how health care costs are affecting the business. Only about a third of the employees we surveyed agree that rising costs could impact their company’s ability to succeed, while 43% disagree. What’s more, only slightly over half of the employees responding to our survey say they believe what their employers communicate about health care costs. This finding is consistent with other recent Towers Perrin research suggesting that the credibility of employee communications is low in many organizations (Enhancing Corporate Credibility—Is It Time to Take the “Spin” Out of Employee Communication? Towers Perrin, 2(03)).

Employees are more likely to grasp the potential impact of rising health care costs on their benefits and the vast majority (81%) say they see the impact of rising costs on their own budgets. In general, however, relatively few believe they should share more of the cost burden. Yet, those who see the potential impact on the business are more likely to understand how cost increases could squeeze their benefits. And these employees are almost three times more likely to agree that their employer can’t absorb the added costs alone. Thus, one challenge for employers is to convince an increasingly skeptical employee audience that the business threat posed by rising health care costs is real and will likely affect them personally.

Perhaps the biggest challenge facing employers, however, is that many employees believe they’re already effective health care consumers and so may not see a need for change in their behavior. In fact, 82% of the employees we surveyed in 2004 think they’re good consumers already and this percentage was up from 72% in our 2003 survey.

Lack of a shared vision of what it means to be a good health care consumer may be the central issue determining whether consumerism strategies will work. Employees may feel that they’re good health care consumers for such reasons as:

- They have a positive attitude (“I did what the doctor told me”—or—“I try to exercise,
They believe they’re sufficiently thoughtful about how they spend their money and how much analysis they do in making decisions (“I asked my friends” about alternative treatments).

- They think they’re paying the right price (i.e., the doctor visit is worth the $15 they pay for it).

Employers, however, have different views on these very same issues. Our 2004 employer survey suggests that employers typically don’t believe employees are doing enough to discharge their responsibility to control the growth of costs. They are more likely to view good consumer behavior as involving such things as greater attention to choosing appropriate coverage based on individual and family needs, more scrupulous use of medical services, or greater adherence to a healthy diet. In any case, reaching a shared understanding between employers and employees of the behaviors implicit in being a “good consumer” is clearly a necessary first step in making a consumerism strategy successful.

The growing communication gap

Part of the reason for the growing divergence in views about health care comes down to communication. The problem, interestingly, is not frequency, but content and tone. Over two-thirds (69%) of the employers we surveyed say their organizations have communicated with employees in recent years about how rising health care costs affect the company. Another 29% indicate their companies will initiate or consider such communications in coming years. And most of the managers surveyed believe their organizations are doing an effective job of communicating with employees both about cost issues and about the value of company benefits. However, only about a third of these managers feel their companies have sent clear messages about what employees need to do to be effective health care consumers. And even fewer report that their companies are communicating with employees about health care issues other than cost. So what’s clearly missing is communication that builds a shared understanding with employees.

Indeed, employers’ overriding focus on costs may help explain employees’ growing resistance to company messages about health care overall and consumerism in particular. Given the ongoing cost shifting that’s taken place in many organizations over the past few years, many working Americans may now view their employer’s health care communications as a broken record that can only bring bad news for employees on a personal level.

Opportunity for employers

Fortunately, our employee survey also indicates that employees are open to changing their behavior if they believe it’s in their interest. For example, most of the employees surveyed say they’re open to a range of health management initiatives that directly benefit them:

- Almost four out of five (79%) believe their employers should encourage employees to adopt healthy lifestyles.

- Almost as many (76%) say they would join a health plan that offered financial incentives for healthy behavior.

- Just under two-thirds (64%) say they are willing to complete a confidential health risk assessment to help them identify health risks. (This number was up significantly from our 2003 survey.)

Many employees also believe their employers can play a role as a conduit for information and tools to help them manage their health and health care costs. Employer-provided resources viewed as most helpful by our employee respondents are:
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- Health-related Web sites
- Information booklets and brochures
- Toll-free numbers for independent nurse or nurse practitioner.

Clearly, employees understand that health care costs are a problem and they appear open to behavior and program changes that could reduce costs both for them and their employers. However, they are not motivated to change just to save their employers money. Employers have an opportunity to influence employee understanding and behavior, but they need to recognize that health care is an emotional issue, as well as a cost issue, for employees. For consumerism to be truly effective, employees need to believe it’s in their interest.

Taken together, our surveys confirm that most U.S. employers see considerable promise in consumerism strategies to help them manage health care costs and that most employees are open to their employers playing a role in supporting consumer behaviors. What comes through loud and clear, however, is that employees are not fully engaged health care consumers today and that growing disconnects between employer and employee views threaten to undermine many employers’ efforts.

To overcome these disconnects, employers need to recognize that employees have built up a strong sense of entitlement around health benefits, along with inertia and resistance that reflects the complex personal nature of health and health care issues in today’s society. It’s also important to remember that employees have been largely shielded from the true cost of care during the managed care era, which encouraged them to “follow the rules” set by their health plans and behave as passive “users” rather than informed purchasers. Given this mindset, it’s easy to see why employees increasingly view their employers’ efforts to share part of the growth in health care costs as take-aways and cost shifting.

For employers adopting consumerism strategies, one critical ingredient is making the connection with employees by appealing to their hearts and minds as well as to their pocketbooks. Successful consumerism strategies require a commitment from leadership, sustained outreach efforts and a range of educational tools and information that respond directly to employees’ health information needs, concerns and preferences. And, ultimately, employers need to craft messages and change processes that acknowledge the emotional aspects of health care and appeal to employees’ self-interest, rather than positioning health care issues exclusively in the context of the company’s business interests.

Case study: getting the alignment right

Faced with a poorly performing medical plan and soaring health benefit costs, a major national retailer decided in late 2002 to replace the plan with a new consumer-driven plan design featuring large deductibles and company-funded medical spending accounts. The new plan was implemented quickly for the 2003 plan year, with little communication to employees. Employee reactions to the change were predominantly negative. Given the company’s inclusive culture and tradition of asking employees to vote on changes affecting them directly, it’s not surprising that the plan’s rollout created major employee relations problems.

To address this situation, the company conducted an in-depth evaluation and audit of the new plan. In addition, it conducted a workforce survey to assess employees’ needs, gauge their interest in benefit trade-offs and foster their acceptance and buy in. Based on an evaluation and its employee survey results, the company revised the consumer-driven plan
design and pricing, and developed an extensive employee communication strategy that was more consistent with the company’s culture and values. As part of this strategy, the company asked all of its 30,000 employees to vote on whether the revised plan design (or two other alternatives) should be implemented for 2004.

The outcome: Almost 80% of the company’s employees took part in the vote, and the revised consumer-driven health plan was endorsed by 83% of those voting. As a result, the revised design was implemented for 2004 and the company’s medical claims costs have declined by 13% thus far. Of equal importance to the company, followup surveys of plan participants have found high levels of understanding and satisfaction with the new plan design.

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