

Presentation to U.S. Department of Labor Advisory Council on Employee Welfare and Pension Benefit Plans

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Lisa A. Bauer, CEBS, SPHR, GPHR, MS, MBA
ralabauer@aol.com

At Issue

1. What standards should be used by health plans and insurers for Summary of Benefits
2. What uniform definitions of insurance terms and medical terms should be used to help patients understand their coverage?
3. How does the new definition of “welfare benefit plan” impact SOBs and terms?
4. Is current information adequate for patients to make informed choices about their health care?
5. What are Best Practices and effective tools for promoting true health care literacy?
6. Do regulations impede employers from providing innovative solutions?
7. Should the DOL provide guidance on best practices?
8. Should the DOL provide tools on its website to foster improved health behaviors?
9. How can the DOL help people better understand what they will need needed in Retirement for health care?
10. Should the DOL provide information on voluntary products such as Long Term Care?

Health Care Literacy

- ▶ According to the National Adult Literacy Survey (NALS), as many as 44 million people (age 16 and older), or 23% of all adults in the United States are functionally illiterate.
- ▶ An additional 28% of all adults — 53.5 million people — had only marginally better reading and computational skills.
- ▶ This suggests that nearly 50% of all adults may have problems understanding prescriptions, appointment slips, informed consent documents, insurance forms, and health education materials.

Source: Center for Health Care Strategies www.chcs.org

CHCS Fact:

People with low functional health literacy are more likely to incur higher health care costs

- ▶ A study of Medicaid patients found those reading below third-grade level had average annual health care costs four times those of the overall Medicaid population.

CHCS Fact:

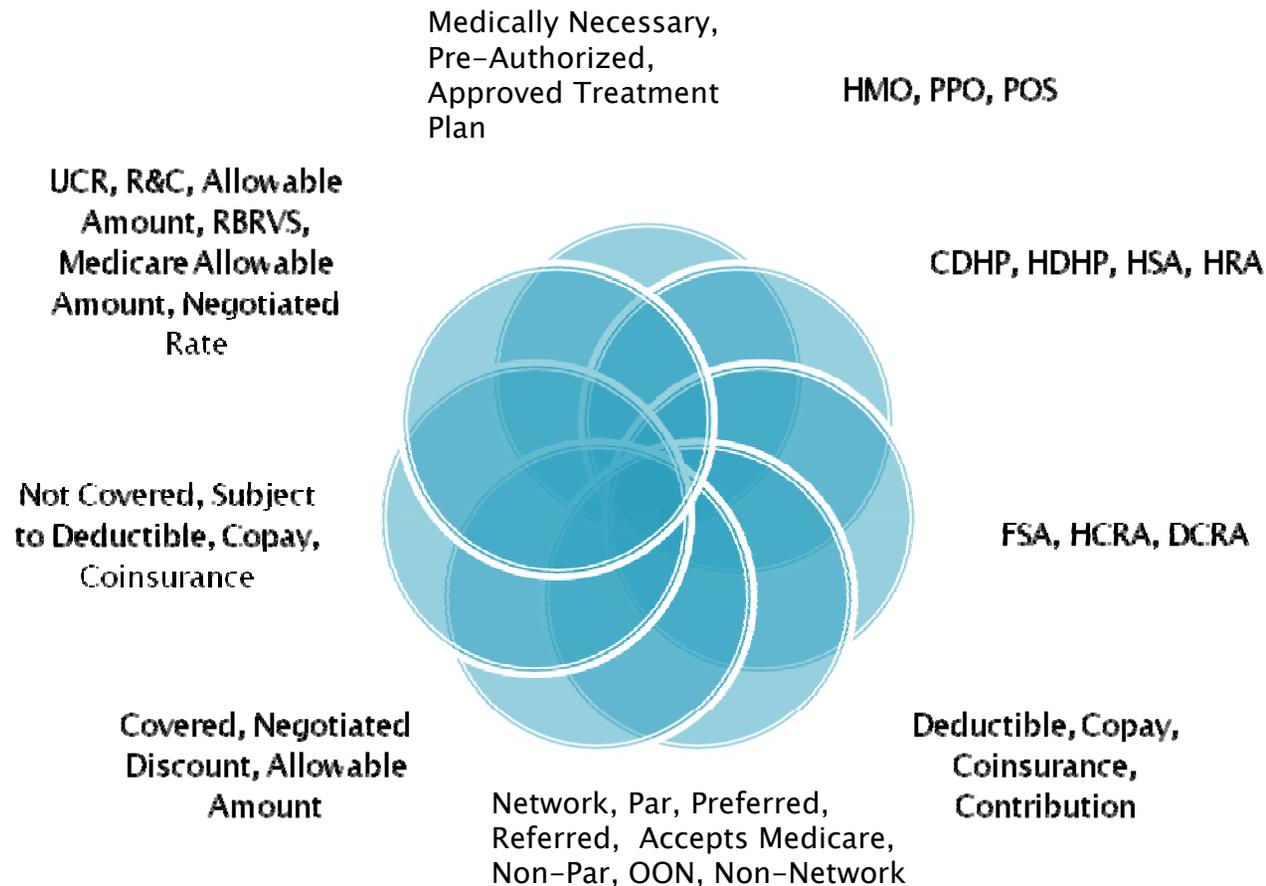
People at all literacy levels prefer written materials that are simple and attractive:

- ▶ Graphics and videos with audio
- ▶ Brochures that are simple and easy to read
- ▶ Leaflets with graphics and pictures
- ▶ Use short sentences, active voice, and conversational language — “give” instead of “administer” and “birth control” instead of “contraception.”
- ▶ FAQs

1) Standards for Summary of Benefits and Coverage (Uniform Coverage Document)

- ▶ No more than 4 pages, 12 point font minimum
- ▶ Flesch Kincaid Grade Level Ease Score
 - 3rd grade level for all communications
- ▶ Use of pictures, graphics, simple flow charts and tables to simplify and illustrate how coverage works, who pays, limits, what's considered preventive, medically necessary, etc.
- ▶ Multi-media – Create 3 minute videos or powerpoints with audio to explain how coverage is determined, what the patient must pay, questions to ask the doctor, etc. as part of a “visual” SOB
- ▶ Tables illustrating what is covered, what is not, how much to pay
- ▶ Uniform definitions
- ▶ Benefits Websites to click and point at specific benefits

2) Uniform Definitions & Terms



Impact of Terminology

- ▶ Reduce terms, set standard terms
- ▶ Eliminate redundancy
- ▶ Eliminate confusing overlap
- ▶ Compare to Auto Insurance
 - Deductible – then insurance pays
 - Approved service providers (replaces: par, network, eligible, accepting)
- ▶ Maintenance Schedule of Preventive Care

Web-based Definitions source examples:

<http://www.1stinsured.com/d.htm>

<http://www.ambest.com/resource/glossary.html>

Health Insurers such as Aetna and CIGNA websites

3) DOL Proposed definition of Welfare Benefit Plan

- ▶ Clarifies state coverage mandates vs ERISA
 - Status of proposal – withdrawn 7/30/10

- ▶ State mandates create confusion, inequity for nationwide employers, as well as for retirees who travel or are “snowbirds”

- ▶ State mandates increase costs for administration and coverage (i.e., personal trainers in CA, massage, etc.)
 - Total of 2133 state mandates in 2009, average of 43 per state
 - AL low of 21 to MN high of 68

- ▶ State mandates may cause “adverse selection” in states with more requirements (MD – 66)

- ▶ Favor national standards for coverage, removal of state mandates (use Medicare plans and Medicare reimbursement levels)

4) Is Current Information Adequate?

- ▶ Varies by employer, varies by provider
- ▶ SPDS and Plan Documents are too legalistic, contain too much “required” information (HIPAA, WCRA, Medicare D notices, FMLA, COBRA rights, etc.)
- ▶ Not all seniors or US residents are web savvy (28%)
- ▶ What incentives do employers have to provide easy to understand communications?
 - Enable vs Empower
- ▶ What incentives do insurance companies have to provide easy to understand communications
 - \$1,000 fines
- ▶ Supportive of Uniform Coverage Documents – simple and posted on public website

Questions People Ask

- ▶ If it's "covered" why am I getting a bill for it?
(People think "covered" means 100% paid)
- ▶ If my doctor orders it, why isn't that covered
(because...doctor's don't determine what's covered, the insurance policy does. Referrals may be required for something to be covered, but not all referrals are covered)
- ▶ Why does everything always have to be "medically necessary?"
(because it's medical insurance!)
- ▶ Why isn't my annual physician visit considered preventive?
(because your visit is to monitor your high blood pressure, diabetes, high cholesterol, asthma, etc.)

Bait and Switch Anger

- ▶ The Public will respond with anger when they feel duped, fooled, cheated or scammed about having “coverage” (100%)
- ▶ Health Insurance to them means FREE health care
- ▶ The Public understands a copay, but not a deductible, coinsurance, or health care reimbursement account that is complicated further by allowable amounts and discounts or maximum visits
- ▶ Have you ever tried to read an Explanation of Benefits? Match it to a balance bill from a provider?

Example – Patient expected to pay only \$25 office visit copay

Service Charge	Network Discounted Amount	Medical Biller bills Patient
Office Visit – \$150	\$100	\$25 copay
Radiology – \$350	\$175	\$350
Radiologist – \$850	\$300	\$850
RX – \$113	\$80	\$40 copay

Patient has a \$500 deductible, but since Office Visit and Rx are not subject to deductible or coinsurance, they pay \$65 then another \$475 toward their \$500 deductible. So, while they get the discount for going in-network, they must pay 100% of the x-ray charges and fees. They end up feeling as though they “have no insurance”

5) Best Practices for Health Care Literacy

- ▶ Flesch Kincaid Grade Level Ease Score
 - 3rd grade level for all communications
- ▶ Use of pictures, graphics, simple flow charts and tables to simplify and illustrate how coverage works, who pays, limits, what's considered preventive, medically necessary, etc.
- ▶ Create 3 minute videos with audio to explain how coverage is determined, what the patient must pay, questions to ask the doctor, etc. as part of a “visual” SOB
- ▶ Tables illustrating what is covered, what is not, how much to pay
- ▶ Uniform definitions
- ▶ Simple to use benefits websites to click on each benefit

Keep it Simple

- ▶ Standardize all Insurance Explanations of Benefits – all claims administrators comply with standardized format.
- ▶ No medical billing permitted until EOB credited clearly
- ▶ All automated billing (providers required to submit all bills electronically)
- ▶ All claims administrators must pay within 5 business days
- ▶ All self insured payors must fund within 5 business days
- ▶ Report all billings and payments to IRS for taxation and collection of nonpayment

6) Do regulations impede employers

- ▶ Yes, when required legal disclosures take up too much space, are too difficult for employees to understand
- ▶ Costly to administer with little value to member, e.g.,
 - Women's Cancer Rights Act
 - Newborns and Mothers
 - HIPAA Privacy Notification
 - ERISA and COBRA
 - Medicare D Notices
 - Etc. Etc
- ▶ Employers spend time and money complying with disclosures rather than developing easy to understand benefits communications to employees

7-9) DOL's Role

7) Should the DOL provide guidance on best practices?

Only if similar to simplified template for Uniform Coverage Document

8) Should the DOL provide tools on its website to foster improved health behaviors?

Only if easy to navigate, 3 “clicks” or less, use existing tools already out there

9) How can the DOL help people better understand what they will need needed in Retirement for health care?

Most retirement plan administrators have web-based retirement calculator tools that can be used as models

10) DOL's Role cont.

10) Should the DOL provide information on voluntary products such as Long Term Care?

- ▶ Statistically, less than 1% of employees enroll
- ▶ Coverage is too expensive, reward is too far off

Take this out of the employer's hands. Too many payroll deductions are cumbersome to administer. Voluntary benefits are mostly viewed as scams when someone tries to collect payment. May provide "sleep insurance" but only until they try to collect payment

Better to tax employers to fund Long Term Care when boomers start to need it or require plans to cover.

Thank You

Lisa A. Bauer, CEBS, SPHR, GPHR, MS, MBA
ralabauer@aol.com

