

Understanding What Employers Are Up To: Think Managed Consumerism, Not Exit

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August 15, 2014



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Employers have a major impact on the U.S. health care system through their sponsorship of health benefits for more than 150 million Americans. In response to the changes occurring in the context of the Affordable Care Act, firms are reassessing and changing their health care strategies with more urgency than since the double digit inflationary era of the 1980s. Determining a unifying theme for a new employer approach is challenging because employers act very differently based on their labor markets, and there is no accepted central “voice” that speaks on behalf of employers. In my opinion, the contrasting opinions currently gaining traction on employer direction—on the one hand predicting that employers will exit the sponsorship of health benefits due to some large firms having adopted a defined contribution approach, or on the other hand that employers are intensifying health care management efforts (because several companies have invested in worksite medical clinics)—are both inaccurate. Based on both my read of the literature and annual meetings with the chief executive officers (CEOs) of the 50 small and large companies for whom I buy health benefits, the emerging framework shift is best described

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as moving from paternalism to “managed consumerism.”

Supplanting the long-standing employer approach, in which physicians and health insurers are entrusted to define what is medically necessary and then fund 80 percent or so of cost, is one characterized by more employee accountability. Employers’ new “contract” with employees seeks to protect them from catastrophic costs and pay for preventive services. It makes employees increasingly responsible for the health decisions in between, by using benefit design and incentives to heighten price sensitivity and decision support tools that inform these choices.

Using managed consumerism as a framework unifies the seemingly disparate moves employers are making. The three major initiatives all support a consumerism approach: the introduction of new benefit schemes that enhance price sensitivity (e.g., consumer-based high deductible plans, value-based insurance design); the use of financial incentives to influence decisions (e.g., carrots or sticks for attaining health status improvement and/or usage of physicians in high-performance networks);

**Contributor to the Learning Health System
Commentary Series of the IOM Roundtable on Value &
Science-Driven Health Care.*

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and the growth of transparency and support services (e.g., websites that show physician and hospital prices, personal navigators to support choices).

Even the rapid growth in private insurance exchanges can be better understood in a consumerism context than as an exit strategy: By establishing a fixed contribution level (i.e., a voucher) and offering an increased number of design options from which employees can “buy up” using their own money, employers create price sensitivity while providing decision support. Employers can choose between a fully insured or self-insured model based on the degree to which they want to be involved as sponsors.

Transitioning employees and families from passive users of health care to financially accountable consumers of these services is an innovative change at the same scale as what is occurring currently in other parts of the health sector; e.g., the development of accountable care organizations (ACOs). The incentives for employees and their families to seek more reliable information on which to base their decisions will increase the demand for accelerated information that represents the essence of a continuously learning health system.

The impact of this shift across the delivery system will be significant. For providers, impact ranges from public visibility of their performance to potential loss of patients and continuous pressure on improving efficiency. For health insurers, it means finding a way to balance their growing partnerships with providers in the face of consumers who are proving to be more cost conscious and demanding of information than their employers. And of course for employees and their families, the challenge is to become smart consumers in a complicated area filled with expensive and emotional decisions.

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Suggested citation:

Galvin, R. 2014. *Understanding what employers are up to: Think managed consumerism, not exit.* Commentary, Institute of Medicine, Washington, DC. <http://www.iom.edu/managedconsumerism>.

Note: Authored commentaries in this Institute of Medicine (IOM) series draw on the experience and expertise of field leaders to highlight health and health care innovations they feel have the potential, if engaged at scale, to foster transformative progress toward the continuously learning health system envisioned by the IOM. Statements are personal and are not those of the IOM or the National Academies.

In this commentary, Robert Galvin, Chief Executive Officer of Equity Healthcare, The Blackstone Group, discusses the shift in employer sponsorship of employee health benefits from one defined as “paternal” to one defined as “managed consumerism.” As the IOM Roundtable on Value & Science-Driven Health Care strives to foster a continuously learning health system that innovates and improves, this new framework contributes to this vision by:

- Protecting employees from high costs through contracts that create price sensitivity while providing decision support;
- Increasing employee accountability and encouraging the employee to take an active and informed role in health insurance-related decisions;
- Creating a partnership between insurers and providers to lower the cost of care and meet the needs of their consumers;
- Increasing the demand among consumers for better access to reliable information and continuous learning from health care.

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