

Contact:  
Nicole Dautel  
The Zitter Group  
33 Bleeker Street,  
Suite 200  
Millburn, NJ 07041  
973.376.1300

# Press Release

## As Employers and Payers Seek Solutions to Contain Healthcare Costs, Patient Cost-Shifting to Increase

Despite accumulating evidence that cost-shifting leads both to undesirable health and cost consequences and has largely failed to slow health cost growth, employers and insurers will continue to rely on it as their primary cost containment strategy.

San Francisco, CA  
July 1, 2008

The cost of employee health coverage continues to grow faster than inflation, putting additional economic pressure on employers and raising critical questions about how best to provide health benefits and ensure optimal employee health and productivity. As a result, employers have grown increasingly important in benefit design decisions – decisions that ultimately determine beneficiaries' access to medical products and services. At the same time, employers remain hesitant to pass too many costs on to employees, fearing that high out-of-pocket costs will translate into reduced adherence and – ultimately – deteriorating employee health and productivity.

Based on primary research with over 100 decision-makers from commercial health plans and 100 employers in the U.S., The Zitter Group's Spring 2008 *Benefit Design Index* provides a comprehensive analysis of the drivers of benefit design decisions. The inaugural edition of The *Benefit Design Index* shows that cost represents the top priority for both groups, followed distantly by access and quality.

"Surprisingly insurers and employers are much more in agreement than previously thought," said Tom Baker, Senior Vice President at The Zitter Group, who led this recent study. "Despite evidence regarding the negative consequences of increasing patient cost-sharing, both groups agree that patient shares of premiums, deductibles and drug copays will continue to go up."

The *Benefit Design Index* provides a comprehensive analysis of the drivers of benefit design decisions, showing where insurers and employers' opinions diverge. Key highlights from this most recent study include:

- ✓ Cost-shifting remains the prevailing cost containment strategy in use by both insurers and employers

- Despite accumulating evidence that cost-shifting leads both to undesirable health and cost consequences and has largely failed to slow health cost growth, employers and insurers will continue to rely on it as their primary cost containment strategy
- ✓ More cost-shifting looms as the most likely insurer and employer strategies in the near-term; drug copays, deductibles, and premiums are all expected to increase
  - Evidence strongly suggests that rising costs – particularly deductibles and premiums – have contributed to a rapidly growing underinsurance problem, a phenomenon that underscores the need for insurers and employers to take benefits as well as premiums into account for access and affordability
- ✓ Cost-sharing burdens for therapeutics remain below the levels at which insurers and employers estimate demand for and utilization of necessary services will begin to fall
  - Insurers and employers may conclude that they still have room to shift additional costs to patients, a conclusion at odds with published literature and one likely to lead to suboptimal health-seeking behavior and the deterioration of the risk pool
- ✓ Innovative newer benefit designs, including consumer-directed health plans (CDHPs) and value-based benefit designs (VBBDs), appear unlikely to have significant impact, and will remain at the margins
  - While CDHPs have been offered broadly by insurers, uptake has been limited to smaller employers and has in some cases weakened the overall HMO risk pool. Questions also remain regarding the adequacy and accessibility of information is accessible with which patients are expected to make educated health care decisions
  - Early results from VBBDs suggest that this strategy does not have wide applicability, and may be best suited to conditions like diabetes and asthma, both characterized by short time horizons in which to recognize downstream cost savings. While the reduction of cost barriers to adherence appears a logical strategy, actuarial analysis suggests that for most categories the VBBD strategy would add to total costs
- ✓ While employers assign more importance to conditions that have immediate implications for productivity or disability costs, insurers assign more importance to higher cost therapeutics, such as rheumatoid arthritis and RSV agents
  - Although employers report greater overall concern for indirect cost drivers – productivity, presenteeism, etc. – their ability to manage or track phenomena other than direct health care and drug costs may limit their ability to optimize overall workforce performance
  - As a consequence – and given insurers' comparatively more narrow focus on direct cost drivers – health care discussions tend to focus more on costs than on outcomes or the impact of specific interventions, and the time horizon for impact remains short

### **About The Zitter Group**

*The Zitter Group (TZG) is the leading developer of strategic solutions for managed markets that secure, establish, and maintain essential links between brand goals and the economic needs of business decision-makers. Founded in 1989, TZG helps pharmaceutical, biotechnology, and medical device companies work more effectively within managed markets. TZG is the premier firm in the insurers segment because of its extensive experience, rich analytic capabilities, and commitment to the highest level of service.*

07/02/2008