

In Brief

Decision Making In Consumer-Directed Health Plans

This *In Brief* summarizes the findings of the AARP Public Policy Institute Issue Paper, *Decision Making in Consumer-Directed Health Plans*, by Judith H. Hibbard, University of Oregon, Joyce Dubow, AARP's Public Policy Institute, and Ellen Peters, Decision Research and University of Oregon.¹ The authors examine what will be required of consumers to effectively navigate consumer-directed health plans (CDPs), an emerging approach to health insurance that transfers more responsibility to consumers for the cost and quality of their care. The authors also explore the types of decision supports that will be needed to assist consumers in CDPs.

Key Findings

- Consumers face challenges both in the initial decisions they must make and in the ongoing day-to-day choices they make while seeking care. These include:
 - understanding information about options;
 - identifying information relevant to one's personal situation;
 - knowing the factors to consider in a choice;
 - integrating that information into choices, including differentially weighting factors and making trade-offs among factors; and
 - understanding the implications of choice for personal financial and health risks and considering those risks when making choices.
- Although consumers face most of these challenges in more traditional health coverage options, the stakes both personal and financial are, potentially, far greater in CDPs.
- Three key processes will help individuals use information to make informed choices and better meet the challenges of CDPs.
 - Lowering the cognitive effort required to use information in choice can lead to its greater use. This can be done in a number of ways, including simply reducing the amount of information an individual must process.
 - Consumers may lack an understanding of what a choice might mean to them in their daily lives and therefore fail to consider it or weight it properly in making choices. Information that helps consumers understand the implications of their choices can improve the decision process.

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- Because consumers tend to rely on information and factors they view as more salient, information displays can be designed to highlight the meaning of information that is important but often overlooked.
- In view of the absence of experience with CDPs, it will be important to lay a strong research foundation to guide and evaluate efforts as the models evolve. Observing the early experiences of enrollees, examining the validity of the underlying assumptions of the model, evaluating how more vulnerable populations fare, and assessing strategies that are designed to overcome challenges associated with implementation should be priority research targets.

Conclusions

- CDPs have potential advantages for consumers. They offer more freedom of choice and loosen the explicit restrictions imposed by other insurance models. CDPs also offer the potential of lower premiums and give consumers greater control over their health care. However, there may be serious challenges for consumers who enroll in CDPs. The difficulty of the decision tasks required of consumers and the skills needed to successfully manage within these plans may be beyond the level of effort many consumers are willing to expend and may be beyond the ability of others. If this is the case, then many consumers may not make the types of informed choices that are necessary to achieve either individual or policy goals. In addition, the amount of effort, skill, and knowledge needed to make choices could discourage voluntary enrollment in these plans by those with lower decision and literacy skills-- possibly leading to an important source of selection bias.
- Much can be done to improve the way information is presented to consumers in CDPs. Well-designed decision-support tools, evaluable information displays, and the use of other strategies that help consumers understand and weight factors key to their choices will support more informed decision making.
- Many of these strategies would benefit consumers, regardless of which plan type they select. However, given the expense and expertise required to implement these strategies, it is not clear that they will be undertaken by plan sponsors. Moreover, even if they are, there is still some question as to whether they will be sufficient to achieve individual or policy goals for CDPs.