High Deductible Health Plans and Health Savings Accounts: For Better or Worse?

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January 27, 2005
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High Deductible Health Plans (HDHP) and Health Savings Accounts (HSA)

- Current enrollment in HDHP/HSAs low
  - Estimated enrollment of 438,000 in September 2004
    - 91,500 through employers; most in individual market; 3% of large employers now offering
  - May grow; 27% of employers say somewhat or very likely to offer
  - About 1 in 10 employees enroll when given the option
- Early evidence
  - Relatively low take-up rates
  - Attractive primarily to higher income employees and those with lower health expenses
- Concerns
  - Cost-sharing leads to underuse of appropriate care
  - Financial burden on low-income and sick
  - Consumers rarely have the information to make choices based on quality and efficiency
  - Segmentation of risks
Employees Are Twice as Likely to Be Willing to Trade Pay for More Health Benefits Than the Reverse

Which one of the following statements would you say is closest to the way you feel about your current health benefits? Among those with health insurance coverage and employed full or part time (2004 n=630)

- You are satisfied with the amount of health benefits you receive through your employer
- You would rather have more health benefits through your employer and lower pay
- You would rather have fewer health benefits through your employer and higher pay
- Don’t know/Refused

Source: 2004 EBRI Health Confidence Survey.
Paying More Leads Patients to Change Their Behavior

Has increased spending on health care expenses in the past year caused you to…? Among those with health insurance coverage who had increases in health care costs in the last year (n=594) (percentage saying yes)

- Choose generic drugs when available: 81%
- Try to take better care of yourself: 74%
- Talk to the doctor more carefully about treatment options and costs: 58%
- Go to the doctor only for more serious conditions or symptoms: 57%
- Delay going to the doctor: 45%
- Switch to over-the-counter drugs: 40%
- Look for less expensive health care providers: 28%
- Look for cheaper health insurance: 26%
- Save additional money in a flexible spending account (n=549): 25%

Source: 2004 EBRI Health Confidence Survey.
# Across the Board, HDHP Consumers Are More Non-Adherent

## Treatment adherence problems (due to cost)

<table>
<thead>
<tr>
<th>Problem</th>
<th>Other Privately Insured* %</th>
<th>HDHP** %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Had a specific medical problem but did not visit a doctor</td>
<td>17</td>
<td>33</td>
</tr>
<tr>
<td>Took a medication less often than I should have</td>
<td>14</td>
<td>29</td>
</tr>
<tr>
<td>Did not fill a prescription</td>
<td>15</td>
<td>28</td>
</tr>
<tr>
<td>Did not receive a medical treatment or follow up recommended by a doctor</td>
<td>17</td>
<td>28</td>
</tr>
<tr>
<td>Did not get a physical or annual check-up</td>
<td>19</td>
<td>25</td>
</tr>
<tr>
<td>Took a lower dose of a prescription than my doctor recommended</td>
<td>15</td>
<td>19</td>
</tr>
</tbody>
</table>

* Currently insured in employer-sponsored or self-purchased plan (not high deductible)

** Currently enrolled in high deductible health plan

Source: Harris Interactive Inc.
Tiered Prescription Drug Cost-Sharing Leads Patients to Not Fill Prescriptions

Percent of enrollees discontinuing use of all drugs in class:

- **Copayments Increased**
- **Copayments NOT Increased**

How Increased Copays Reduce Chronically Ill Patients’ Use of Drugs

Percent Reduction in Days Supplied When Copayments Double

- Depression: 8%
- Hypertension: 10%
- Dyslipidemia: 10%
- Gastric Acid Disorder: 17%
- Asthma: 21%
- Diabetes: 23%
- Arthritis: 27%
- Allergic Rhinitis: 31%

$1000 Deductibles Cause One-Third of Hospitalized Patients to Spend More than 10% of Income Out-of-Pocket

Percent

<table>
<thead>
<tr>
<th>Deductible*</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Modest</td>
<td>7</td>
</tr>
<tr>
<td>$100</td>
<td>16</td>
</tr>
<tr>
<td>$500</td>
<td>24</td>
</tr>
<tr>
<td>$1000</td>
<td>32</td>
</tr>
<tr>
<td>$2500</td>
<td>66</td>
</tr>
</tbody>
</table>

* Notes:
Modest Co-payments Option has $20 co-pay for physician visits, $150 co-pay for ED visits, and $250 co-pay per day inpatient hospitalization; $100 Deductible Option has 10% in-network coinsurance and 20% out-of-network coinsurance; $500 Deductible Option has 20% in-network coinsurance and 30% out-of-network coinsurance; $1000 Deductible Option has 20% in-network coinsurance and 30% out-of-network coinsurance; $2500 Deductible Option also 30% in-network coinsurance, 50% out-of-network coinsurance; Maximum out-of-pocket limits are set at $1,500 more than deductible for all options.

Premiums and Family Out-of-Pocket (OOP) Health Care Costs by Poverty Status

Percent of adults ages 19–64 spending:

- Anytime uninsured
- Insured all year

<table>
<thead>
<tr>
<th>Category</th>
<th>Under 200% poverty</th>
<th>200% poverty or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>5% or more of income on OOP costs</td>
<td>44</td>
<td>34</td>
</tr>
<tr>
<td>5% or more of income on OOP costs</td>
<td>38</td>
<td>19</td>
</tr>
<tr>
<td>5% or more of income on premiums</td>
<td>35</td>
<td>14</td>
</tr>
<tr>
<td>10% or more of income on premiums and family OOP costs</td>
<td>34</td>
<td>21</td>
</tr>
<tr>
<td>Deductible $500 or more</td>
<td>14</td>
<td>20</td>
</tr>
</tbody>
</table>

Cost-Related Access Problems Among Insured Adults With a Deductible of $500 or More

Percent of insured adults ages 19–64 who:

- Did not fill a prescription
- Did not see specialist when needed
- Skipped medical test, treatment, or follow-up
- Had medical problem, did not see doctor or clinic
- Any of the four access problems

Medical Bill Burdens Among Insured Adults With a Deductible of $500 or More

Percent of insured adults ages 19–64 who:

- Not able to pay medical bills
- Contacted by collection agency
- Had to change way of life to pay medical bills
- Medical bills/ debt being paid off over time
- Any medical bill problem or outstanding debt

<table>
<thead>
<tr>
<th>Condition</th>
<th>Have a deductible of $500 or more</th>
<th>Do not have a deductible of $500 or more</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not able to pay medical bills</td>
<td>24</td>
<td>14</td>
</tr>
<tr>
<td>Contacted by collection agency</td>
<td>22</td>
<td>14</td>
</tr>
<tr>
<td>Had to change way of life to pay medical bills</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>Medical bills/ debt being paid off over time</td>
<td>15</td>
<td>9</td>
</tr>
<tr>
<td>Any medical bill problem or outstanding debt</td>
<td>49</td>
<td>32</td>
</tr>
</tbody>
</table>

## FEHBP and HDHP/HSA
### Example from DC Metro Area, 2005 Annual Rates

<table>
<thead>
<tr>
<th>GEHA</th>
<th>Total Premiums</th>
<th>Employee Premiums</th>
<th>Plan Contribution to HSA</th>
<th>In-network Deductible</th>
</tr>
</thead>
<tbody>
<tr>
<td>HDHP – Self</td>
<td>$4,570</td>
<td>$1,162</td>
<td>$720</td>
<td>$1,100</td>
</tr>
<tr>
<td>Standard – Self</td>
<td>$3,461</td>
<td>$865</td>
<td>$0</td>
<td>$450</td>
</tr>
</tbody>
</table>

Note: $300 of preventive services exempted from deductible.

### FEHBP and HDHP/HSA
### Example from DC Metro Area, 2005 Annual Rates

<table>
<thead>
<tr>
<th>Total Medical Expenses of:</th>
<th>Deductible</th>
<th>Employee Maximum Contribution to HSA</th>
<th>Paid by HSA</th>
<th>Paid by Employee (15% co-insurance for in-network)</th>
<th>Total Premium, OOP, and Employee HSA Contribution</th>
<th>Balance of HSA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>$500</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GEHA HDHP–Self</td>
<td>$500</td>
<td>$380</td>
<td>$500</td>
<td>$0</td>
<td>$1,162</td>
<td>$600</td>
</tr>
<tr>
<td>GEHA Standard–Self</td>
<td>450</td>
<td>0</td>
<td>—</td>
<td>458</td>
<td>1,322</td>
<td></td>
</tr>
<tr>
<td><strong>$1,500</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GEHA HDHP–Self</td>
<td>1,100</td>
<td>380</td>
<td>1,100</td>
<td>60</td>
<td>1,602</td>
<td>0</td>
</tr>
<tr>
<td>GEHA Standard–Self</td>
<td>450</td>
<td>0</td>
<td>—</td>
<td>157</td>
<td>1,422</td>
<td></td>
</tr>
<tr>
<td><strong>$5,000</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GEHA HDHP–Self</td>
<td>1,100</td>
<td>380</td>
<td>1,100</td>
<td>585</td>
<td>2,127</td>
<td>0</td>
</tr>
<tr>
<td>GEHA Standard–Self</td>
<td>450</td>
<td>0</td>
<td>—</td>
<td>682</td>
<td>1,997</td>
<td></td>
</tr>
</tbody>
</table>
Reduction in Federal Income Tax From HSA Contributions in 2005

**Income:**
- $20,000
- $40,000
- $60,000
- $80,000
- $100,000
- $120,000

**HSA tax savings:**

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**Single Taxpayer, HSA Contribution of $1,000**
- $20,000: $150
- $40,000: $250
- $60,000: $250
- $80,000: $280
- $100,000: $280
- $120,000: $280

**Family with 2 Children, HSA Contribution of $2,000**
- $20,000: $0
- $40,000: $300
- $60,000: $300
- $80,000: $300
- $100,000: $500
- $120,000: $600

Increased Health Care Costs Have Reduced Savings

Has increased spending on health care expenses in the past year caused you to do any of the following? Among those with health insurance coverage who had increases in health care costs in the last year (n=594) (percentage saying yes)

- Decrease your contributions to other savings: 48%
- Have difficulty paying for other bills: 30%
- Use up all or most of your savings: 26%
- Decrease your contributions to a retirement plan, such as a 401(k), 403(b) or 457 plan, or an IRA: 25%
- Have difficulty paying for basic necessities, like food, heat, and housing: 18%
- Borrow money: 15%

Source: 2004 EBRI Health Confidence Survey.
Health Care Costs Concentrated in Sick Few

Distribution of Health Expenditures for the U.S. Population, By Magnitude of Expenditure, 1997

U.S. Population

Health Expenditures

Expenditure Threshold
(1997 Dollars)

$27,914

$7,995

$4,115

$351

Conclusion

• HDHP/HSAs have more downsides than positives
  – Reduce use of effective services
  – Increased financial burden on low-wage workers and sicker individuals
  – Leads to risk segmentation
  – Individuals have neither the information nor the clout to get better prices from providers
  – Greater tax break to higher income families

• Potential legislative “fixes”
  – Reduce deductible for lower-income families
  – Exempt effective services and medications for patients with chronic conditions
  – Cap income eligibility for tax savings similar to IRA provisions
  – Require provider discounts for uninsured low-income families
  – Prohibit discrimination in favor of high-wage employees by employers
Acknowledgements

Research assistance – Alice Ho, Research Associate, Commonwealth Fund


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