



**HEALTH SAVINGS ACCOUNTS &
ACCOUNT-BASED
HEALTH PLANS:
AN OVERVIEW OF RESEARCH**

FEBRUARY 2009

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INTRODUCTION

Health savings accounts (HSAs) were authorized by the 2003 Medicare Modernization Act. HSAs are intended to be used in conjunction with qualified high-deductible health plans – defined as those with minimum deductibles of \$1,150 for single coverage and \$2,300 for family coverage in 2009. Consumers, family members and employers can deposit amounts into the tax-favored account on an annual basis to be used for qualified medical expenses.¹

HSA plans and similar health reimbursement arrangement (HRA) plans generally make up the broad category of consumer-directed health plans (CDHPs). Unlike HSAs, HRAs are held by employers and are not usually portable if an employee leaves the firm. This report highlights research and statistics on the market for account-based health plans.²

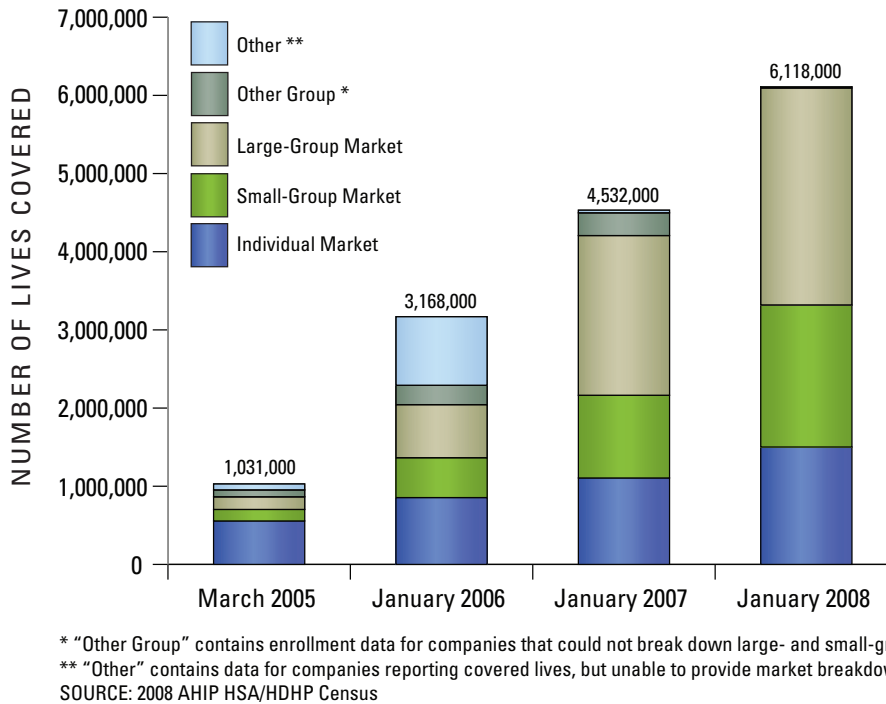
¹ Funds not withdrawn for “qualifying” medical expenses can remain in the account and be rolled over annually to build savings for future health-related costs.

² This report is an update of a 2006 publication, *HSAs and Account-Based Health Plans: An Overview of Preliminary Research*, America’s Health Insurance Plans (June 2006).

ENROLLMENT

- The number of people with HSA/HDHP coverage rose to 6.1 million in January 2008, up from 4.5 million in January 2007, and 3.2 million in January 2006. The January 2008 enrollment figure is six times the enrollment level in March 2005 (see Figure 1). *(AHIP, January 2008)*

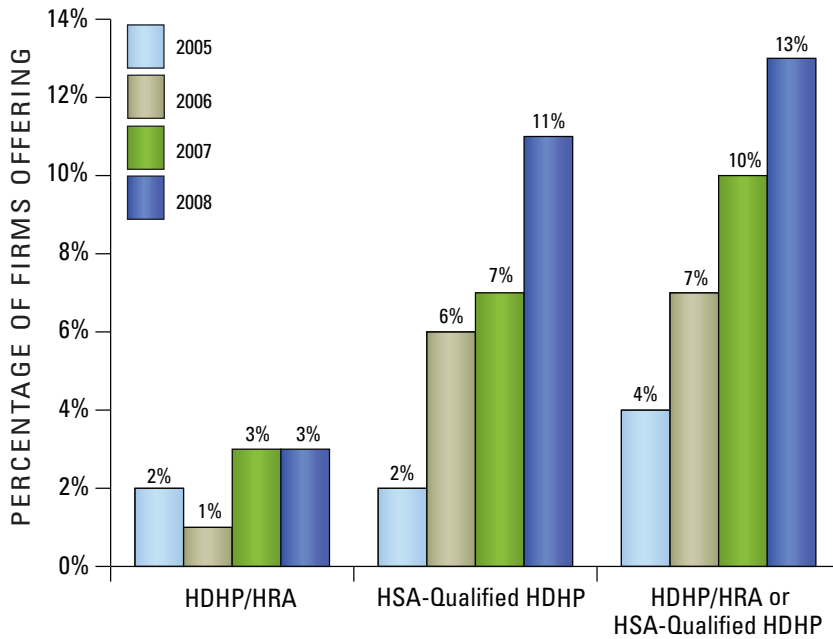
FIGURE 1.
Growth of HSA/HDHP Enrollment, March 2005 to January 2008



- Among firms offering health benefits in 2008, 11 percent offer HSA-qualified HDHPs, marking an increase of four percentage points since 2007, and a nine percentage point increase since 2005 – the first year for which these data were collected (see Figure 2). *(Kaiser Family Foundation, 2008)*
- Among those firms represented in an AHIP survey of small group firms, seven (7) percent of employees (approximately 389,000) has an HSA/HDHP. *(AHIP, January 2009)*
- Twenty-six (26) percent of all firms not currently offering HSA-eligible HDHPs reported that they were somewhat or very likely to do so in 2009 – up from 24 percent the previous year. *(Kaiser Family Foundation, 2008)*

FIGURE 2.

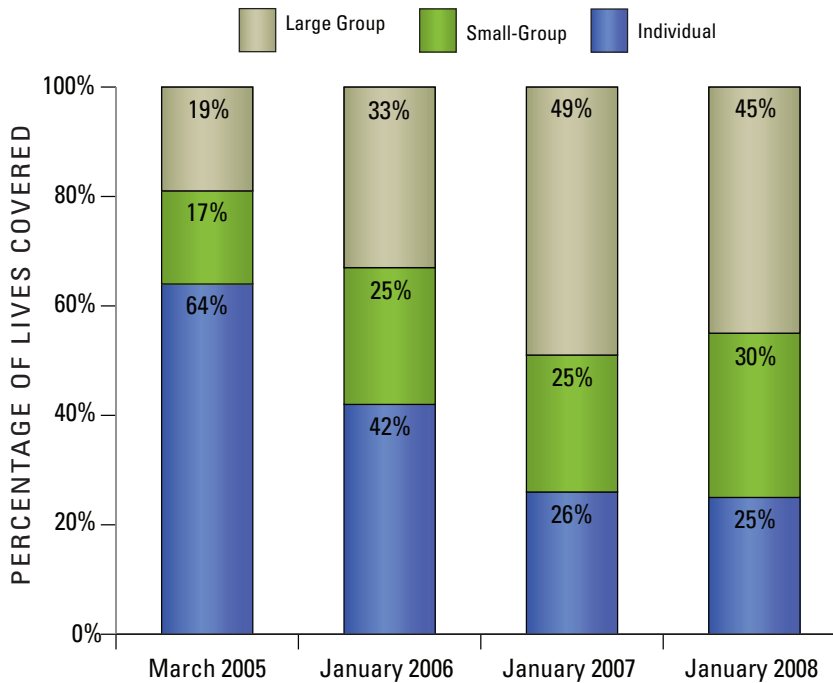
Percentage of Firms Offering HDHP/HRAs and/or HSA-Qualified HDHPs, 2005 to 2008



Note: Columns may not sum due to rounding
 SOURCE: Kaiser Family Foundation 2008 Employer Health Benefits Survey

FIGURE 3.

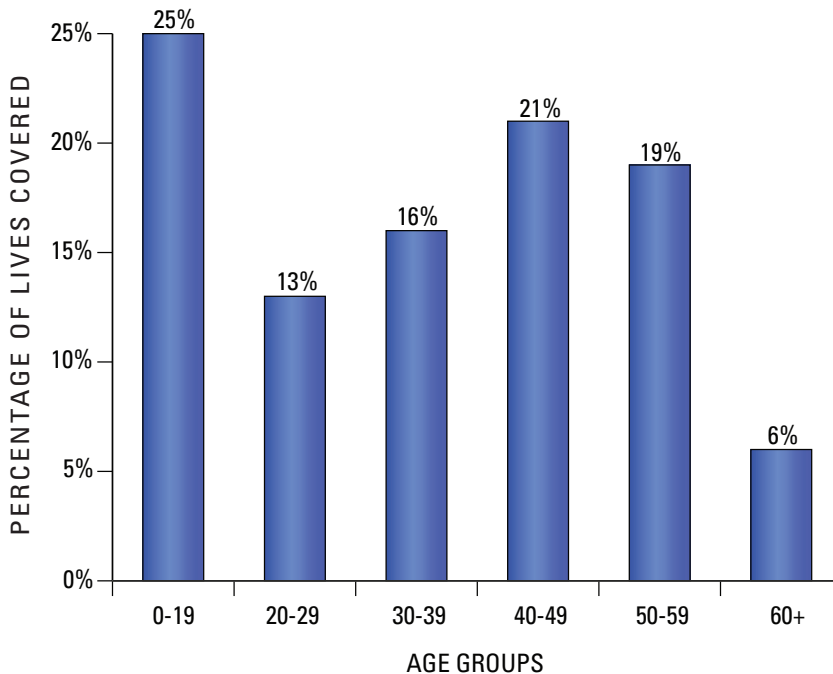
Market Distribution of People Covered by HSA/HDHPs, March 2005 to January 2008



SOURCE: 2005-2008 AHIP HSA/HDHP Census Reports

- As of January 2008, HSA-eligible products accounted for 27 percent of new health insurance purchases in the individual market, 31 percent of new coverage in the small-group and six (6) percent of the large-group market.
(AHIP, April 2008)
- Between January 2007 and January 2008, the fastest growing market for HSA/HDHP products was small-group coverage. HSA/HDHP coverage rose from approximately 25 percent of overall HSA/HDHP enrollment in January 2007 to 30 percent in January 2008 (see Figure 3).
(AHIP, April 2008)
- The Bureau of Labor Statistics reports that eight (8) percent of all workers in the private sector have access to HSAs, while 33 percent have access to HRAs.
(Bureau of Labor Statistics, April 2008)
- In 2008, forty-two (42) percent of enrollees in small groups chose HSA/HDHP options when offered a choice among those and other types of coverage. This result was the same, regardless of group size: 43 percent for firms with 10 or fewer workers, 42 percent for 11 to 25 workers, and 41 percent for firms with 26 to 50 workers.
(AHIP, January 2009)

FIGURE 4.
Age Distribution of People Covered by HSA/HDHPs, Individual Market, 2008



NOTE: Most enrollees in the 0-19 age group were dependents covered under family plans.
SOURCE: 2008 AHIP HSA/HDHP Census

POPULATION

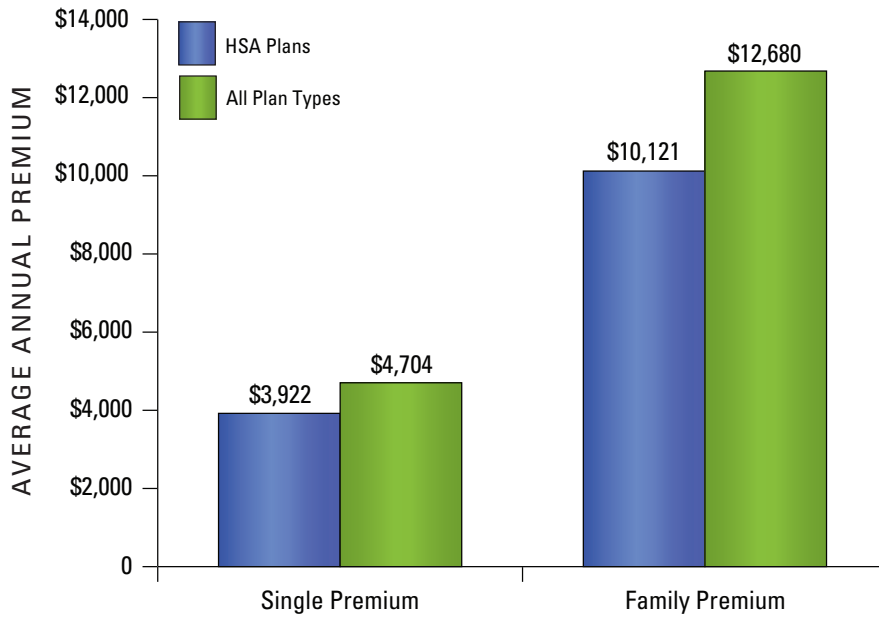
- Age distribution among HSA-eligible enrollees in the individual market appears to have remained evenly allocated since the last overview of HSA research in 2006; about half of enrollees in an HSA-eligible plan are aged 40 and above, and half are below the age of 40.
 - In the individual market:
 - 25 percent of HSA-eligible plan enrollees were younger than age 20;
 - 13 percent were between 20-29;
 - 16 percent were between 30-39;
 - 21 percent were between 40-49;
 - 19 percent were between 50-59;
 - 6 percent were age 60 and over (see Figure 4).
(AHIP, April 2008)
- About 40 percent of tax filers age 19-64 who reported HSA activity on their tax returns had average annual incomes below \$60,000.
(Government Accountability Office, April 2008)

HEALTH STATUS

- A recent study found that the “derived” health status (determined through analysis of self-reported conditions and utilization patterns) of individuals with HSA-eligible plans parallels the health status of those with non-CDHP coverage:
 - 49 percent of individuals with HSA-eligible plan coverage and 42 percent of people with non-HSA plan coverage reported their health status as good.
 - 50 percent of individuals with HSA-eligible plan coverage and 57 percent of people with non-HSA plan coverage reported their health status as fair/poor.
(BlueCross BlueShield Association, December 2007)
- Another survey found that similar numbers of enrollees in HSA-qualified plans with accounts (45 percent) and comprehensive plans (49 percent) reported having at least one chronic condition.
(Employee Benefit Research Institute (EBRI), March 2008)
- HSA-eligible enrollees are more likely than those in non-CDHP products to see results when participating in health and wellness programs. HSA-eligible enrollees reported higher success rates that were statistically significant in four out of five wellness program categories, including smoking cessation, diet, fitness, and overall health.
(BlueCross BlueShield Association, December 2007)

FIGURE 5.

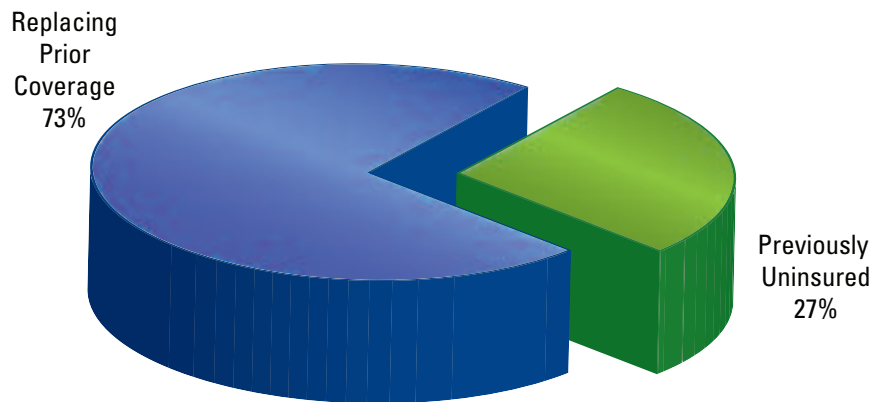
Average Annual Premium for Employer-Sponsored Health Benefits, HSA Plans Compared to All Plan Types, 2008



SOURCE: Kaiser Family Foundation 2008 Employer Health Benefits Survey

FIGURE 6.

Percentage of HSA/HDHP Policies Purchased by Previously Uninsured, Individual Market, 2007



NOTE: Companies responding to this question reported HSA/HDHP enrollment of 1,010,854 lives in the individual market.

SOURCE: 2007 AHIP HSA/HDHP Census

- A 2007 Regence BlueShield study of consumers who switched from traditional PPO plans to consumer-directed plans tracked utilization rates of a variety of medical services six months prior to and following their switch from non-CDHP plans to HSA-qualified products. The study found that members used emergency services 32 percent less in the six months following the switch to CDHPs.
(BlueCross BlueShield Association, December 2007)

PREMIUMS

- Average premiums for HSA-eligible plans are approximately 15 to 20 percent lower than average premiums in the overall employer market.
 - Average annual premiums for all employer group health plans as reported in a 2008 Kaiser Family Foundation Survey were \$4,704 for single and \$12,680 for family coverage. By comparison, the Kaiser survey reported that average premiums for HSA plans were \$3,922 for single coverage and \$10,121 for family coverage (see Figure 5).
(Kaiser Family Foundation, 2008)
- The AHIP census on HSA-eligible plans in April 2008 reported annual premiums of \$3,189 for single coverage and \$8,125 for family coverage in the small group market.
(AHIP, April 2008)

IMPACT ON THE UNINSURED

- According to AHIP's April 2007 census of HSA plans, 27 percent of individuals purchasing HSA-eligible plans were previously uninsured (see Figure 6).
(AHIP, April 2007)

CONSUMER AWARENESS

- Consumers with HSA-eligible coverage appear to be more aware of health care costs than consumers with non-CDHP coverage. The difference between the non-CDHP and HSA-eligible plans in each category is statistically significant.
 - 63 percent of HSA-eligible enrollees tracked their health care expenses, compared to 43 percent of non-CDHP enrollees;
 - 38 percent of HSA-eligible enrollees estimated their future health expenses, compared to 19 percent of non-CDHP enrollees; and
 - 47 percent of HSA-eligible enrollees were saving for future health expenses, compared to 18 percent of non-CDHP enrollees.
(BlueCross BlueShield Association, December 2007)
- In a 2007 study by HealthPartners, members enrolled in a CDHP plan used HealthPartners' Web-based tools that compare cost and quality at a rate 13 percent higher than members enrolled in traditional plans.
(HealthPartners, October 2007)

- Consumers with HSA-eligible health coverage appear just as likely to seek care as traditional insurance product enrollees:
 - Equal proportions (17 percent) of HSA-eligible enrollees and non-CDHP enrollees reported having delayed going to a doctor, and 18 percent of both HSA-eligible and non-CDHP enrollees decided not to go to a doctor.
(BlueCross BlueShield Association, December 2007)

PREVENTIVE SERVICES

- Overall, 84 percent of HSA/HDHP group and individual policies purchased in 2007 provided first-dollar coverage for preventive care. Such coverage was offered by:
 - Ninety-nine (99) percent of large-group plans;
 - Ninety-six (96) percent of small-group plans; and
 - Fifty-nine (59) percent policies purchased in the individual market.
(AHIP, November 2007)
- An Aetna study of health plan members at six large companies found that those with consumer-directed plans utilized significantly more preventive care services than a comparable population of PPO enrollees and were twice as likely to access online health information.
(Aetna, January 2008)
- About half of all HSA-qualified plans do not place annual dollar limits on covered preventive services, and three-quarters of HSA-qualified plans do not require cost-sharing (copayments or coinsurance) for preventive care.
(AHIP, November 2007)
- Ninety-nine (99) percent of employees in the small group market with an HSA/HDHP are covered for: adult physicals, annual OB/GYN visit, prenatal care, and well-baby care.
(AHIP, January 2009)
- A study examining CDHP and PPO enrollees over a three-year period (2003-2005) concluded enrollees in both groups were using preventive services, cancer screening, and diabetic monitoring at the same rate, both initially and over time.
(Health Affairs, January/February 2008)
- Regence BlueShield observed in a year-long study of members who switched from non-CDHP products to HSA-qualified coverage (six-months prior to and following the coverage change) “little variation in utilization rates of preventative and necessary care such as office visits, inpatient admits and laboratory services” in the study group.
(BlueCross BlueShield Association, December 2007)

ACCOUNT INFORMATION

- As of December 2007, 51 percent of all HSA-eligible enrollees had opened HSAs. Sixty-nine (69) percent who bought the policies in the individual market had opened HSAs, compared to 48 percent of those enrolled in employer-sponsored plans.
(BlueCross BlueShield Association, December 2007)
- A study released by UnitedHealthcare and Optum Bank shows that lower income members open health savings accounts at a greater rate than do higher income groups – with an average income in the mid-\$50,000 range. The report indicated that account adoption rates are highest among those earning less than \$25,000 (see Figure 8).
(United Healthcare, 2008)
- The 2008 Kaiser Family Foundation study of employer-based health benefits found that 72 percent of employers that offered HSAs contributed to their employees' accounts, and that the average contribution for accounts was \$838 for individuals and \$1,522 for families – up from \$806 and \$1,294, respectively, in 2007 (see Figure 9).
(Kaiser Family Foundation, 2008)

FIGURE 7.
Health Savings Account Adoption Rates, by Income, 2008

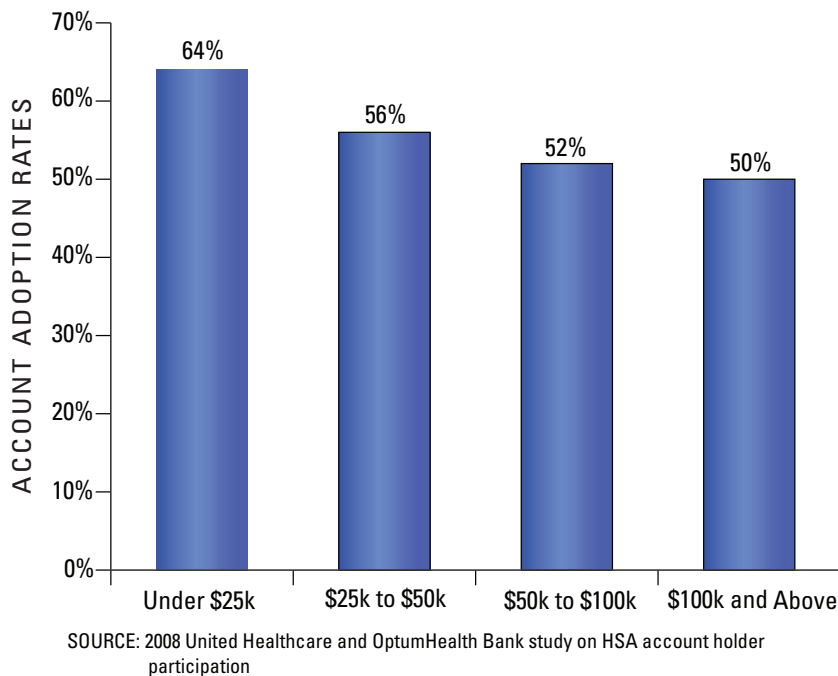
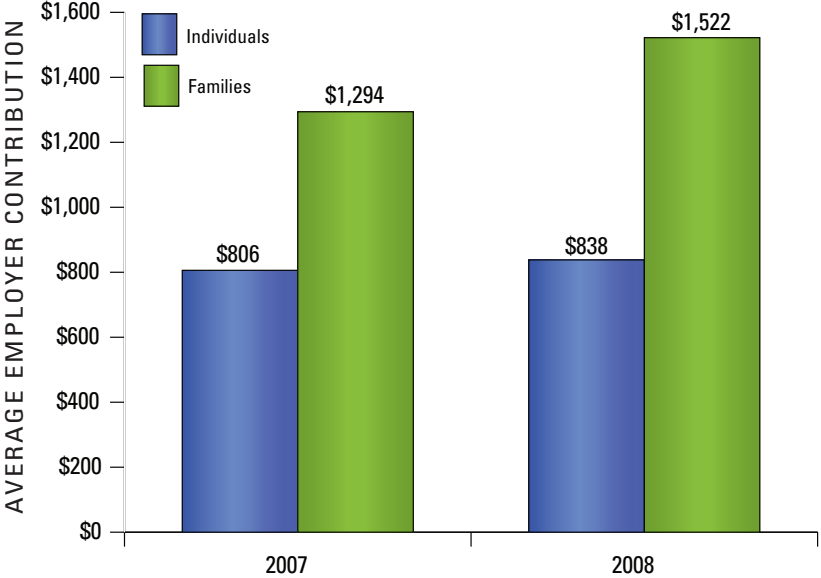


FIGURE 8.

Average Annual Employer Health Savings Account Contributions, 2007 and 2008



SOURCE: Kaiser Family Foundation 2008 Employer Health Benefits Survey

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