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Health Issues

NEW STUDIES SHOW CONSUMER-DIRECTED CARE REDUCES COSTS AND IMPROVES ACCESS

BY GRACE-MARIE TURNER

A new study of purchasers of Health Savings Accounts shows that these health care financing arrangements are appealing to those who previously were shut out of the insurance market, to families, to older Americans, and to workers of all income levels.

The study shows that 70 percent of purchasers are over age 40, one-third make less than \$50,000 a year, and more 75 percent are families with children.

Critics of Health Savings Account have charged that HSAs are only for the “healthy and wealthy” and argue that they should be rejected because they will destabilize health insurance for everyone else. But early findings about HSAs and other consumer-directed health plans show that the critics are wrong.

The study, conducted by Assurant Health of Milwaukee, Wisconsin, also showed that 43 percent of those purchasing the accounts were previously uninsured. Clearly, HSAs also provide a new option to help the uninsured.

Another study by the major health insurer Aetna of Hartford, Connecticut, showed that its consumer-directed health care products are helping companies lower their health costs while providing incentives for employees to get better access to preventive care.

The Aetna study showed that companies that replaced their traditional health insurance with a consumer-directed plan saw their health costs fall by 11 percent. Meanwhile, the use of preventive services by workers increased by as much as 23 percent.

eHealthInsurance, an on-line health insurance brokerage, also surveyed those who have purchased insurance through its website and found that nearly half of HSA purchasers make less than \$50,000 a year. Further, 70 percent of them paid less than \$100 a month for their health insurance premiums.

Health Savings Accounts were enacted as part of the Medicare bill signed into law by President Bush December 8, 2003. The first Health Savings Account was sold on January 1, 2004.

They allow anyone under age 65 to put aside money tax free for health care expenses. The only consideration is that the accounts must be accompanied by a high-deductible health insurance policy.

Individuals, employers, or employees can make a pre-tax annual contribution of \$2,600, and families can make an annual contribution of up to \$5,150 into an HSA. Interest earned on HSA funds is tax-free, and funds for qualified medical expenses can be withdrawn tax-free.

Most major health insurance companies now are offering Health Savings Accounts and sister plans. The goal is to make employees partners rather than adversaries in managing health costs.

With health insurance costs rising at double-digit rates, employers and consumers are desperate for new solutions that will give them more affordable options.

A major benefits consulting firm, Hewitt Associates, found in a recent survey that more than 60 percent of large employers are likely to offer their employees new Health Savings Accounts in the future. Most are putting new systems in place, including employee education programs, before they begin.

One employer, Logan Aluminum in Kentucky, decided to use health accounts to encourage healthy behavior by its 1,000 employees.

Logan raised the deductible on its health insurance policies to \$1,000 per worker. High-deductible health insurance policies are cheaper than traditional insurance, just as raising the deductible on an automobile policy is less expensive with a deductible of \$1,000 rather than \$250.

Health insurance works the same way. But to cushion the blow of the higher deductible for workers, Logan, like virtually all employers introducing the new plans, makes deposits to health accounts that employees can use to pay for routine health expenses that fall under the deductible.

Logan said its employees could “earn” the deposits to their health accounts by getting personal health assessments and participating in wellness programs like smoking cessation or exercise classes. Employees’ out of pocket costs were about the same as in the past, but the financing was restructured to give them a chance to participate in the savings. Anything employees save at the end of the year rolls over to the next to pay for future medical bills.

Logan’s experience in the first year: A 19 percent *drop* in its health costs, saving the company \$925,000.

In discouraging people from selecting HSAs, critics clearly are doing a disservice to the uninsured, to employers who now have a new option to buy more affordable health insurance, and to employees who have an opportunity to save for future health care needs.

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