



Consumer-Driven Health Care Fact Sheet About Georgia’s HSA eligible Policies

On May 7, 2008 Georgia’s Governor Sonny Perdue signed into law a bill that will create a new generation of HSA eligible plans for small groups and individual policyholders. There are many misconceptions and misunderstandings regarding Health Savings Accounts and HSA eligible plans. The information below is an accurate description of the facts (research documents are footnoted). The Center for Health Transformation encourages other states to consider the changes made in Georgia and the greater flexibility provided under HSA eligible plans once state laws are reformed to free up the creative entrepreneurial spirit of the free-market.

1. Do HSA eligible policies require coverage for all existing Georgia mandates?

Yes, HSA eligible policies are subject to the same insurance laws and regulations as other policies (HMOs, PPOs, indemnity policies, etc.). This means that the same benefit mandates, premium regulations, and consumer protections prescribed by each state (and the federal government) apply to these policies. No existing mandates are added or removed by the proposed legislation.

2. Do HSA eligible policies offer first-dollar coverage of preventive care?

Yes, HSA eligible policies are allowed by federal law to pay for preventive care services and screenings at 100% before the application of any plan deductible. HSA eligible plans voluntarily cover preventive care services at a higher rate (84% of the time) than tradition insurance. The changes proposed in the Georgia law would also allow “dividend” additions (in the form of rewards and incentives) to be added to HSA accounts to further cover preventive and wellness at 100% while satisfying any deductible.

3. Do HSA eligible plans with preventive care cover well-child care, women’s health, and male screenings?

Yes, in a recent survey of policies offering first-dollar 100% coverage for preventive care before the application of any plan deductible:

- 100% cover well-baby and well-child care,
- 100% cover child and adult immunizations,
- 100% cover mammography,
- 100% cover Pap tests,
- 100% cover annual physical exams,
- 90% cover prostate cancer screenings,
- 80% cover colonoscopies.

4. Can HSA eligible policies help reduce the number of low income uninsured?

Yes, approximately one of every three HSA eligible policies sold are to individuals who were previously uninsured. Some insurers found that about one of every two purchasers with incomes under \$35,000 had not had coverage for at least six months prior to enrollment.

HSA eligible policies are particularly attractive to seasonal and part time workers, the unemployed between jobs, employees of small companies that do not offer coverage, and younger adults who can not afford and do not find value in traditional insurance coverage.

5. Do HSA eligible plans reduce the increasing cost of health insurance?

Yes, in 2007 Cigna's consumer-driven plan trends were less than half the trend for its PPO and HMO enrollees. This is a continuation of lower costs trend in prior years. The 2005 trend for Cigna's consumer-driven plans was plans between 1.2%-4.8% versus an overall trend of 10.3%.

In 2006 the trend for Aetna's HSA eligible policies and similar consumer-drive health plans was 2.6%, versus 7.4% for HMOs, 7.5 for PPOs, 7.3% for POS, and 6.6% for traditional indemnity coverage. Aetna reported on four years of experience with consumer-driven plans and found a 1 percent annual increase for full-replacement employers and 6.7% for employers that offered them as an option.

eHealthInsurance reported that premium costs for HSAs eligible plans dropped 17% for individuals and 4.6% for families from 2004 to 2005.

6. Do HSA empower individuals and support greater personal responsibility and better health?

Yes, UnitedHealth Group has recently reported consumer-driven plans are:

- More likely to see a doctor for diabetes (73% vs. 54%) and 16% more likely to receive HbA1c tests if they have diabetes.
- 22% more likely to have lipid tests if they have coronary artery disease.
- 6% more likely to use ACE inhibitors, 41% more likely to get creatinine tests and 26% more likely to receive potassium tests if they have congestive heart failure.
- 16% more likely to get cervical and prostate screening
- 10% more likely to get cholesterol screening
- Similar on all other measures.

The Blue Cross Blue Shield Association reported in 2006 that HSAs eligible plans are:

- More likely to use nurse hotlines (10% v 6%)
- More frequent participants in wellness programs (20% v 8%)
- More likely to use more provider information tools (39% v 10%)
- Higher users of prescription drug cost & comparison tools (42% v 19%)
- More likely to use website based coverage information (53% v 32%)

A more recent report from the Blue Cross Blue Shield Association summed up the survey by saying, “These findings show us that consumer-driven plans are beginning to deliver on their promise. Our survey shows that consumer-driven plans empower consumers and help them become more engaged in their health care decisions.

7. Do HSA eligible plans cause greater delays in seeking care?

No, regardless of the type of insurance policies, Americans tend to procrastinate going to the doctor. A comparison of HSA eligible plans to others shows HSA enrollees are no more likely to forego care:

- Did Not Go To Doctor: 18% of HSAs; 18% of other plan types
- Delayed Treatment: 17% of HSAs; 17% of other plan types
- Delayed Prescription: 15% of HSAs; 15% of other plan types

8. Are the lower cost and healthy habits in HSA eligible plans due to healthier enrollment?

No, Cigna found the savings were not the result of healthier enrollment. Cigna studied the consumer-driven experience compared it to the experience of their PPO and HMO products. It found 24% lower costs for inpatient care, and 10.7% lower for outpatient care.

Cigna found that consumer-driven enrollees were 12% more likely to use preventive care and that, members are more compliant with medications that manage ongoing conditions, and more discerning in their use of medications with over-the-counter alternatives.”

These findings were confirmed by Cigna in October, 2007 in a follow-up report that said “First year member preventive visits increased and second-year member visits remained significantly higher than those among traditional plan members (and) use of maintenance medications that support chronic conditions increased while costs decreased.”

9. Do HSA eligible plans encourage better treatment compliance and lower use of Emergency Rooms?

Yes, in a McKinsey study, consumer-driven plans are more likely to comply with treatments than people in traditional plans (36% vs. 27% for diabetes, and 51% vs. 31% for HBP), 25% more likely to engage in healthy behaviors and 30% more likely to get an annual physical.

A 2007 Harvard study in the *Journal of the American Medical Association* found that people in consumer-driven plans have 10% fewer Emergency Room visits overall and 25% fewer repeat visits. The drop in ER visits was almost entirely for non-severe conditions. The Harvard Medical School lead author said, “Patients went to the emergency room less frequently for non-emergency conditions.”

10. Are HSA eligible plans necessarily high deductible health insurance?

No, with rewards and incentives allowed under the Georgia proposals, the net deductible under an HDHP may be zero (\$0)! Under federal law to be HSA eligible, a plan must meet the standards for a federally defined “High Deductible Health Plan”. These are sometimes referred to as HDHPs. HDHPs are quite different from the generically used term “high deductible health insurance.” HSA eligible plans can have an initial plan deductible as low as \$1100. With new plan designs made available under the Georgia proposal, rewards and

incentive for healthy behaviors, compliance with the doctor's treatment plans, and using preventive benefits (well-child, immunizations, smoking cessation, etc.) can lower the effective plan deductible to zero.

With HSA eligible plans, federal law requires patient protections on the total financial exposure to an individual or family. For 2008, to be HSA eligible the total out-of-pocket limit cannot be any higher than \$5,600 for self-only coverage or \$11,200 for family coverage. There is no federal or state limit to protect families with other types of policies.

11. Do low income families really save money in HSAs? Is there a limit on HSA funding?

In 2008, even with a \$1,100 deductible policy, the allowed HSA funding is \$2,900 for an individual and \$5,800 for a family. Annual indexing increases the allowed HSA contribution limit each year. In addition, individuals over 55 can make an additional contribution of \$900 in 2008, increasing to \$1,000 in 2009.

With increased personal responsibility and good healthy choices, the rewards and incentives allowed under the Georgia proposal support the accumulation of HSA dollars that can be create to cover all healthcare expenses.

In 2006, United Health Group found that 80% of low-income individuals (those earning \$25,000 or less annually) open their accounts. The rate of HSA account openings only varies from 80% to 84% across all income ranges.

When an employer does not make a contribution to the HSA account they are still opened by:

- 23% of those earning less than \$25,000
- 39% of those earning \$25,000 to \$49,000
- 50% of those earning \$50,000 to \$99,000
- 58% of those earning \$100,000 or more

Among consumers who open an account, 67% contribute their own dollars – an average of \$1,206 each. Among low-income individuals (earning \$25,000 or less per year), 56% of account holders make their own contributions to the account. 86% of individuals carried an HSA balance into the next year. The average amount carried forward was \$815.

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