

# CRS Report for Congress

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## Data on Enrollment, Premiums, and Cost-Sharing in HSA-Qualified Health Plans

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### Summary

Health Savings Accounts (HSAs), which have been available since 2004, are the newest addition to the array of tax-advantaged accounts people can use to pay for unreimbursed medical expenses. To set up an HSA, one must enroll in a qualifying high-deductible health plan (HDHP). This report analyzes findings about enrollment in HSA-qualified HDHPs. It must be noted that enrollment in HSA-qualified HDHPs is not the same as actually having an HSA account. Individuals may enroll in an HSA-qualified HDHP without setting up an HSA. In addition, individuals may have an HSA without contributing to it. The available estimates show the number of people enrolled in HSA-qualified HDHPs, but provide little insight into whether individuals set up HSAs and, if so, whether they contribute. According to the latest estimates from America's Health Insurance Plans (AHIP), nearly 3.2 million individuals were covered by an HSA-qualified HDHP in January 2006. This report will be updated as new findings emerge.

Health Savings Accounts (HSAs) provide a tax-advantaged way for people to pay for out-of-pocket medical expenses. HSAs can be established and funded by eligible individuals when they have a qualifying high-deductible health plan (HDHP) and no other health plan, with some exceptions.<sup>1</sup> First, this report analyzes data from America's Health Insurance Plans (AHIP), the national association representing health insurers, on the number of enrollees in HSA-qualified HDHPs. The AHIP results are the only source of data on enrollment in HSA-qualified HDHPs for both group (employer) and nongroup health insurance. The report then looks at premiums and cost-sharing in HSA-qualified HDHPs as reported by AHIP and two other sources, one focused on nongroup and the other on group coverage. Finally, the report summarizes findings from the Government Accountability Office (GAO) on HSA-qualified HDHPs available to federal employees.

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<sup>1</sup> An explanation of the rules governing HSAs can be found in CRS Report RL33257, *Health Savings Accounts: Overview of Rules for 2006*, by Bob Lyke, at [<http://www.congress.gov/erp/rl/pdf/RL33257.pdf>].

## Data on Enrollment in HSA-Qualified HDHPs

Enrollment in HSA-qualified HDHPs has grown to nearly 3.2 million individuals, according to the latest estimates from AHIP. These numbers include not only the primary policyholders or covered workers but also their covered family members. In health insurance lingo, these numbers are for all “covered lives.” These estimates of coverage in January 2006 are triple the number estimated in March 2005, which was double the number from September 2004. The results are based on “responses from AHIP member companies, which represent nearly all the health insurance plans offering HSA-eligible plans.” AHIP reported that insurers are offering HSA-qualified plans in more markets “and to a wider array of large (employer) group, small group and individual customers.”<sup>2</sup>

For 28% of the 3.2 million enrollees in HSA-qualified HDHPs, it is unknown whether that coverage was obtained through the group market or the nongroup market, as shown in **Figure 1**. Additionally, among the 1.4 million for whom group coverage was reported, 17% did not specify whether that HSA-qualified HDHP was obtained from a small employer or a large one. AHIP members reported their membership in large- and small-group markets according to their internal reporting standards. Thus, there may be differences in plans’ definition of large- and small-group markets.

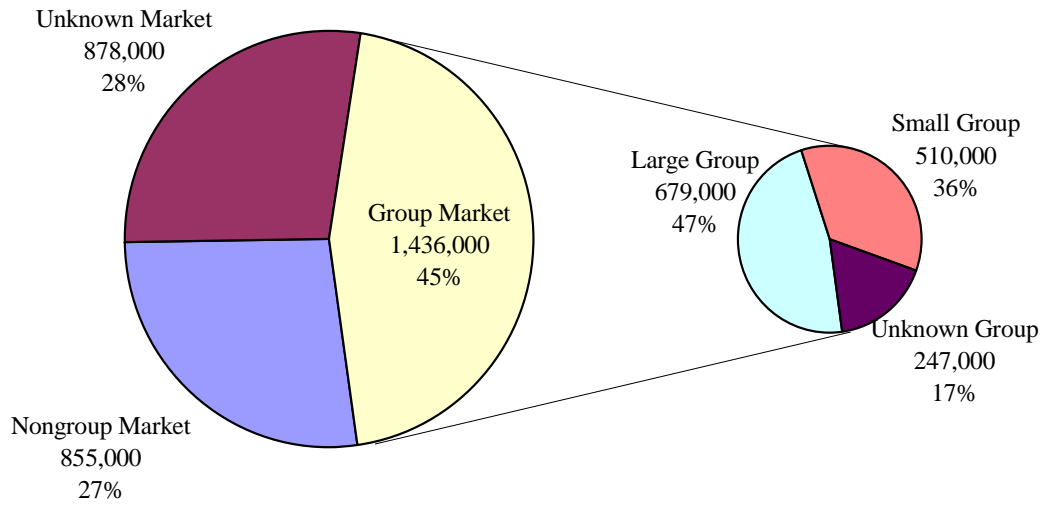
Because the characteristics of plans not reporting the detailed information may differ markedly from plans reporting the information, it is difficult to draw strong conclusions about the entire 3.2 million enrollees based on only the plans reporting details. Nonetheless, although the precise share of enrollees in different categories is uncertain, there has been substantial growth in HSA-qualified HDHPs in terms of total enrollees across all of the categories, as shown in **Table 1**. Again, it is not known how many of these individuals actually set up an HSA or, if so, contributed to it. Data on contributions to HSAs in 2005 should be available from the Internal Revenue Service in 2007.

The AHIP results found that 31% of those who were newly enrolled in an HSA-qualified HDHP through the nongroup market in January had been uninsured prior to enrolling in that coverage. This percentage was calculated among insurers reporting the information. These insurers covered less than half of the HSA-qualified HDHP enrollees in the nongroup market. Thus, the results may be biased if the insurers who did not provide the information had a significantly different percentage of enrollees previously uninsured. The same caveat applies to the percentage of small employers offering an HSA-qualified HDHP who did not previously offer coverage (33%). The AHIP study did not provide results regarding the number of large employers previously not offering health insurance. This is probably because the number was very low, since the percentage of large employers not offering health insurance is usually estimated at 5% or less.

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<sup>2</sup> “January 2006 Census Shows 3.2 Million People Covered by HSA Plans,” America’s Health Insurance Plans report, March 9, 2006. “HSA (Plans) Triple in 10 Months,” America’s Health Insurance Plans press release, Jan. 26, 2006. AHIP reports its findings as virtually a census since its members represent nearly all insurance companies and nearly all of the member companies responded to the survey. According to AHIP, its reported number may be an undercount if, for example, an insurer that offers HSA-qualified HDHPs is not an AHIP member, or if a large employer offers a self-funded HSA-qualified HDHP without the help of an AHIP member serving as a third-party administrator (TPA).

**Figure 1. Market Characteristics of HSA-Qualified HDHPs, January 2006, by Number of Covered Lives**



**Source:** Congressional Research Service (CRS) analysis of report from America’s Health Insurance Plans (AHIP) Center for Policy and Research, “January 2006 Census Shows 3.2 Million People Covered by HSA Plans,” March 9, 2006, at [<http://www.ahipresearch.org/pdfs/HSAHDHPReportJanuary2006.pdf>].

**Note:** AHIP members reported their membership in large- and small-group markets according to their internal reporting standards.

**Table 1. Historical Market Characteristics of HSA-Qualified HDHPs, by Number of Covered Lives**

	Sept. 2004	March 2005	Jan. 2006	Growth between March 2005 and Jan. 2006
<b>Nongroup market</b>	<b>346,000</b>	<b>556,000</b>	<b>855,000</b>	<b>54%</b>
<b>Unknown market</b>		<b>77,000</b>	<b>878,000</b>	<b>1040%</b>
<b>Group market</b>	<b>92,000</b>	<b>397,000</b>	<b>1,436,000</b>	<b>262%</b>
Large group	79,000	162,000	679,000	319%
Small group	13,000	147,000	510,000	247%
Unknown group		88,000	247,000	181%
<b>Total</b>	<b>438,000</b>	<b>1,030,000</b>	<b>3,169,000</b>	<b>208%</b>

**Source:** Congressional Research Service (CRS) analysis of report from America’s Health Insurance Plans (AHIP) Center for Policy and Research, “January 2006 Census Shows 3.2 Million People Covered by HSA Plans,” March 9, 2006, at [<http://www.ahipresearch.org/pdfs/HSAHDHPReportJanuary2006.pdf>].

**Note:** AHIP members reported their membership in large- and small-group markets according to their internal reporting standards.

## Premiums and Cost-Sharing in HSA-Qualified HDHPs

The January 2006 AHIP study also reported plan information such as average deductibles, out-of-pocket maximums, and premiums on *both* nongroup coverage and group coverage. The company eHealthInsurance produced a report on its nongroup enrollees in HSA-qualified HDHPs in the first half of 2005.<sup>3</sup> One of the leading surveys of employers' health benefits reported similar plan information for group coverage.<sup>4</sup> These results are shown in **Table 2**.

There are a number of reasons why the results in **Table 2** differ by source of data. For example, the AHIP estimates of premiums and cost-sharing in HSA-qualified HDHPs were based on what insurers reported for their "best-selling product." The characteristics of these products and the people who tend to enroll in them may be different from the other products and those enrollees. The eHealthInsurance numbers are from people who enrolled through their website. Enrollees who purchase health insurance online, for example, may differ substantially from those who obtain health insurance through a local insurance agent. The Kaiser/Health Research and Educational Trust (HRET) survey faces limitations common to all surveys. For example, only 48% of the employers contacted for the survey responded. Employers that did not respond may have systematically different characteristics that could bias the results.

Among firms that offered health insurance in 2005, one in five (20%) offered a plan with a deductible of at least \$1,000 for single coverage and \$2,000 for family coverage, according to the Kaiser/HRET employer survey. However, most of these plans were not HSA-qualified (perhaps because the plan's out-of-pocket maximum was higher than the statutory limit). Of firms offering an HDHP, only 12% had one that was HSA-qualified. Moreover, among firms that offered an HSA-qualified HDHP, only 15% of eligible employees enrolled in the plan.<sup>5</sup>

The employer survey by Mercer Human Resource Consulting provided 2005 results for consumer-directed health plans (CDHPs), which include HSAs as well as Health Reimbursement Arrangements (HRAs). HRAs are solely employer-funded accounts with balances usually forfeited to the employer when the worker terminates employment. Mercer considered it "a surprise" that so few small employers offered a CDHP. "[P]roponents said HSAs would expand access to coverage by providing a less-expensive option for small employers who might not otherwise offer coverage. This theory hasn't panned out: use of CDHPs by this group [employers with 10 to 499 workers] reached only 2% in 2005, while the percentage offering any form of health plan dropped from 66% to 63%." However, the survey indicated that 12% of employers with 10 to 499 workers were "very likely" to offer a CDHP in 2006, compared to 2% the previous year.<sup>6</sup>

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<sup>3</sup> "Health Savings Accounts: The First Six Months of 2005," eHealthInsurance, July 27, 2005.

<sup>4</sup> "Employer Health Benefits: 2005 Annual Survey," Kaiser Family Foundation and Health Research and Educational Trust.

<sup>5</sup> "Employer Health Benefits: 2005 Annual Survey," chart pack.

<sup>6</sup> "Health Benefit Cost Slows for a Third Year, Rising Just 6.1% in 2005," Mercer Human Resource Consulting press release, Nov. 21, 2005.

**Table 2. Average Premiums and Cost-Sharing in HSA-Qualified High-Deductible Health Plans (Single Coverage)**

	eHealth-Insurance	America's Health Insurance Plans <sup>a</sup>			Kaiser/HRET survey of employers	
	Nongroup	Nongroup	Small group	Large group	All (large and small) groups	All groups, PPO plans NOT HSA-qualified
<b>Premium</b>	\$1,339	\$1,121-\$3,157 <sup>b</sup>	\$2,772	\$2,745	\$2,700	\$4,150
Enrollee share	\$1,339	\$1,121-\$3,157 <sup>b</sup>	NA	NA	\$431 (16%)	\$603 (15%)
Firm share	NA	NA	NA	NA	\$2,270 (84%)	\$3,548 (85%)
<b>Firms' contribution to HSA</b>	NA	NA	NA	NA	\$553	NA
<b>Deductible</b>	NA	\$2,378	\$2,143	\$1,754	\$1,901	\$323
<b>Out-of-pocket maximum</b>	\$5,100 <sup>c</sup>	\$3,371	\$3,381	\$3,330	\$2,551	\$2,000-2,499 <sup>c</sup>

**Source:** "Health Savings Accounts: The First Six Months of 2005," eHealthInsurance, July 27, 2005. "January 2006 Census Shows 3.2 Million People Covered by HSA Plans," America's Health Insurance Plans report, March 9, 2006. "Employer Health Benefits: 2005 Annual Survey," Kaiser Family Foundation and Health Research and Educational Trust.

**Note:** "NA" means not available or, with respect to firm information for nongroup coverage, not applicable. Information on individuals' contributions to HSAs not available. "PPO" is a preferred provider organization. According to AHIP, more than 90% of HSA-qualified HDHPs are PPOs.

- a. These numbers are based on what insurers' reported for their "best-selling product." The average premium and benefits of these products may not be representative.
- b. An average for all age groups was not provided. Average premiums were reported by age-groups.
- c. Average not provided. This is the median.

## HSA-Qualified HDHPs for Federal Employees

In January 2005, HSA-qualified HDHPs first became available to federal employees through the Federal Employees Health Benefits Program (FEHBP), which is administered by the Office of Personnel Management (OPM). The U.S. Government Accountability Office (GAO) analyzed the first-year experience of these 14 plans and, as of March 2005, their 7,500 enrollees. (According to OPM's preliminary estimates, there were 12,400 enrollees in FEHBP's HSA-qualified HDHPs in March 2006.) This section summarizes the GAO findings.<sup>7</sup>

The experience in FEHBP's new HSA-qualified HDHPs was compared to another new FEHBP plan that was not an HDHP. That plan was a traditional preferred provider organization (PPO). Among the subscribers (that is, the federal employees or retirees under whose name enrollment occurred), the average age in the HSA-qualified HDHPs (46) and the new non-HDHP (47) was below that of FEHBP subscribers overall (59). This was because a smaller share of retirees enrolled in new plans, regardless of whether they were HDHPs. Excluding retirees, subscribers in the HDHPs and in the new non-HDHP had an average age of 44, and for all FEHBP plans, an average age of 47.

The GAO report also compared the income of federal employees who signed up for the various plans — specifically, the percentage of federal employees who had salaries of \$75,000 or more. In the HSA-qualified HDHPs, 43% of the federally employed subscribers had a salary of at least \$75,000. This percentage was much higher than in the new non-HDHP (14%) and among all FEHBP plans (23%). In other words, federally employed subscribers in the HDHPs were much more likely to be high-income compared to subscribers in the other FEHBP plans.

Three of the 14 plans, referred to as the multistate HDHPs, comprised 96% of the FEHBP HSA-qualified HDHP enrollment in 2005. The characteristics of these three plans were compared to non-HDHPs offered by the same carriers. The deductibles in the HDHPs were slightly more than double the carriers' non-HDHP PPO deductibles. HDHPs are permitted to cover preventive services without being subjected to the deductible for qualifying for an HSA. All of the multistate HDHPs took advantage of this exception, with enrollees paying the same or less for preventive services than the traditional plan enrollees.

The average monthly portion of the premium paid by employees was \$91 for the HSA-qualified HDHPs (single coverage) and \$99 for the traditional plans. In addition, these HDHPs also made contributions to individuals' HSAs. These contributions averaged \$82 per month, arguably offsetting much of the employees' contribution to premiums.

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<sup>7</sup> "Federal Employees Health Benefits Program: First-Year Experience with High-Deductible Health Plans and Health Savings Accounts," U.S. Government Accountability Office Report GAO-06-271, Jan. 2006, at [<http://www.gao.gov/new.items/d06271.pdf>].