High-Deductible Health Plan Study:
Five Takeaways

California HealthCare Foundation

Introduction

What may come to be the "new normal" in employer-sponsored health insurance, high-deductible health plans (HDHPs) are gaining popularity. When paired with a health reimbursement account (HRA) or a health savings account (HSA), such plans are commonly referred to as consumer-directed health plans. This pairing of plans is intended to offer employees protection against the financial risk of major illness as well as pay for more routine health care.

To find out how these plans are affecting consumers, RAND Corporation conducted the largest-ever study of HDHPs. The study examined the effects of HDHPs on consumer use of, and spending on, health care. It is the first study to assess the impact of the deductible size, savings account type, and employer account contributions on use and spending.

Spending Account Basics

The two types of health spending accounts — HRAs and HSAs — that are paired with HDHPs have important differences. HRAs are funded in full by employers; they are owned by the employer and are not portable when the employee leaves the company. HSAs are owned by the individual; they can accumulate from year to year, can be withdrawn for non-medical use (subject to penalty), and are portable if the account owner leaves the organization.

Only HDHPs with large enough deductibles qualify for an HSA. For 2012, the minimum deductible to qualify for an HSA is $1,200 for an individual and $2,400 for a family. The maximum out of pocket (including the deductible) for HSA-eligible plans is $6,050 for an individual and $12,100 for a family. Interest on the assets in the account accrues tax-free, and distributions are tax-free if used to pay qualified medical expenses, as defined by the IRS.

Some Effects of HDHPs

Here are five takeaways from the RAND research findings.

1. **Consumers with high-deductible health plans spend less on health care.** The study found that families who switched to plans with a deductible of at least $1,000 cut back on their health care spending by about 14% in the first year. They had fewer episodes of care, and they spent less per episode. These families spent less on inpatient and outpatient care and on prescription drugs, but they did not spend less on emergency room care.

   It cannot be known from the findings to what extent the reductions in care were beneficial to the employees. Cutting back on unnecessary care lowers cost and reduces the risk inherent in any medical intervention. On the other hand, cutting back on needed care — including preventive care — can have serious medical and financial consequences down the road.

2. **Employees cut back on needed preventive care.** The families in the study eliminated some preventive care proven to be beneficial, even though those services were not subject to a deductible. For example, the families cut

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back on immunizations for children as well as cancer screening — including mammography, cervical cancer screening, and colorectal cancer screening.

3. **People with low incomes and chronic illness also cut back on care.** Low-income and chronically ill employees cut back on health care spending in patterns similar to those of other employees. However, it can be surmised that health care cutbacks among these individuals could have greater health and financial consequences in the long term.

4. **Employer contributions to employee health spending accounts can offset cutbacks.** The presence of an HSA or HRA altered consumer behavior, including reducing cutbacks in care. The study found that cutbacks were partially offset when employers contributed at least half the amount of the employee's deductible to a paired spending account.

5. **Employers can take positive steps to help employees get the most from HDHPs.** Employers' decisions and actions do affect beneficiaries' health care spending — at least in the first year of enrollment. They can mitigate risk to their employees by:

   - Educating employees on how their plan works.
   - Actively informing employees that preventive care is exempt from the deductible and encouraging them to take advantage of preventive services.
   - Choosing benefit design thoughtfully in terms of deductible amounts and contributions.
   - Supportive tools and decisionmaking aids — although not specifically analyzed in the study — can help HDHP enrollees become savvier health care consumers.

Behind the Data

To assemble this information about HDHPs, RAND studied health insurance enrollment and claims records for more than 800,000 households — employees and dependents of 59 large US employers from various regions and industries. Most of these employers offered an HDHP as an option at some time during the study. Plans from a variety of US insurance carriers with a range of deductibles and savings account arrangements were included.

The researchers estimated the effects of HDHP enrollment on health care cost growth between 2004 and 2005, using a method that compared families who were enrolled in HDHPs for the first time in 2005 with families who were in traditional plans and not offered HDHPs. Statistical techniques were used to match the characteristics of the two groups and help control for any differences. Because most people in the study enrolled voluntarily in HDHPs, the researchers took a number of steps to control statistically for selection issues.

It should be noted that the study period focused on a first-year experience with an HDHP. Future enrollment years might produce different health care usage patterns as people and providers become more familiar with these plans.

Learn More

For more information on the Rand research, go to www.chcf.org.

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