



## Health Savings Accounts and Account-Based Health Plans:

### Research Highlights

November 2011

Health savings accounts (HSAs) were first authorized by the 2003 Medicare Modernization Act. HSAs are intended to be used in conjunction with qualified high-deductible health plans (HDHPs)—defined as those with minimum deductibles of \$1,200 for single coverage and \$2,400 for family coverage in 2011 (the minimum deductible amounts will be the same in 2012). Consumers, family members, and employers can make deposits into a tax-favored account (up to annual limits) for qualified medical expenses.<sup>1</sup>

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 brief report highlights research and statistics on the market for account-based health plans.<sup>2</sup>

#### Enrollment

- The number of people with HSA/HDHP coverage rose to 11.4 million in January 2011, up from 10 million in 2010, 8.0 million in 2009, 6.1 million in 2008, up from 4.5 million in 2007, and 3.2 million

in January 2006. The January 2011 enrollment figure is just over eleven times the March 2005 enrollment (see Figure 1).

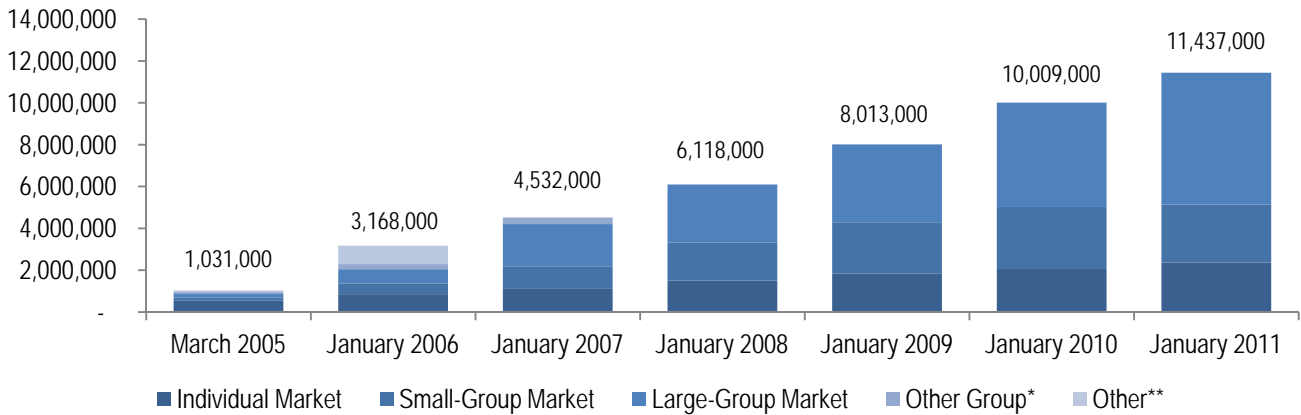
*(America's Health Insurance Plans, June 2011)*

- Among firms offering health benefits in 2011, 18 percent offer an HSA-qualified HDHP, marking an increase of eleven percentage points since 2007, and a sixteen percentage point increase since 2005—the first year for which these data were collected (see Figure 2).  
*(Kaiser Family Foundation, 2011)*
- In January 2011, HSA-eligible products accounted for 6.1 percent of newly issued health insurance policies purchased in the individual market and 13.5 percent of new coverage in the small-group market.  
*(America's Health Insurance Plans, June 2011)*
- Between January 2010 and January 2011, the fastest-growing market for HSA/HDHP products was large-group coverage. HSA/HDHP coverage rose from approximately 50 percent of overall HSA/HDHP enrollment in January 2010 to 55 percent in January 2011 (see Figure 3).  
*(America's Health Insurance Plans, June 2011)*
- The Bureau of Labor Statistics reports that 14 percent of all workers in the private sector have access to an HSA.  
*(Bureau of Labor Statistics, April 2011)*

<sup>1</sup> Funds not withdrawn for "qualifying" health expenses can remain in the account and be rolled over annually to build savings for future health-related costs.

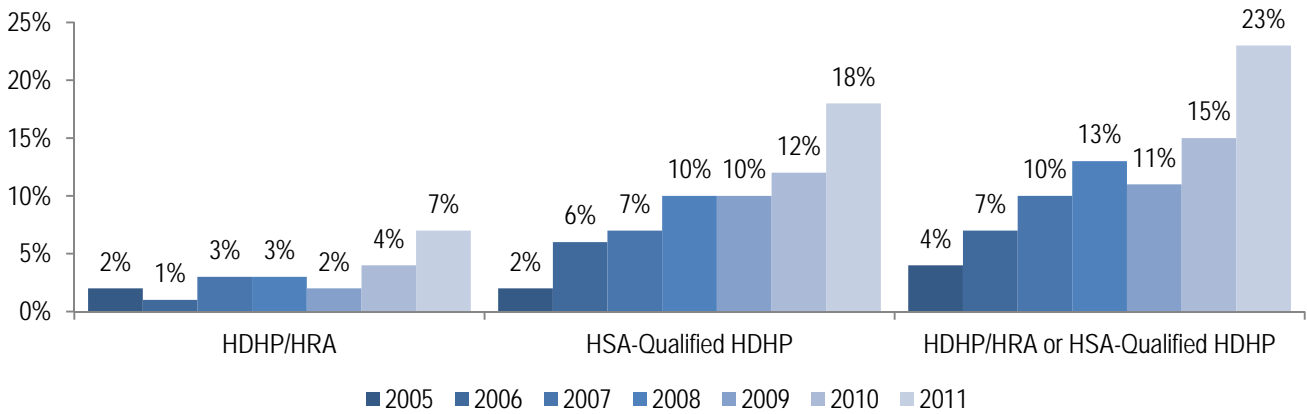
<sup>2</sup> This report is an update of a 2009 publication, "HSAs and Account-Based Health Plans: An Overview of Research," *America's Health Insurance Plans* (February 2009).

**Figure 1. Growth of HSA/HDHP Enrollment, March 2005 to January 2011**



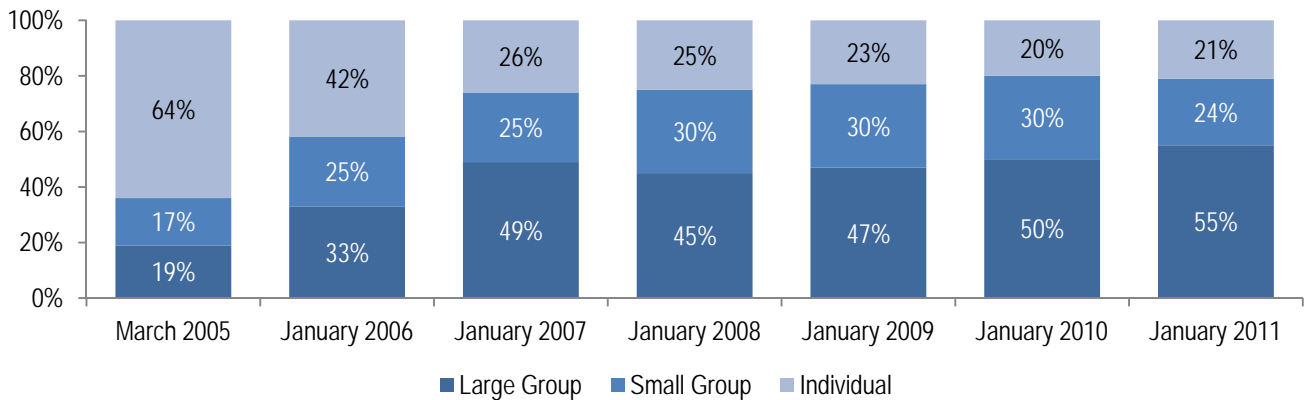
Source: AHIP Center for Policy and Research. 2005-2011 HSA Census Reports.  
 \* "Other Group" contains enrollment data for companies that could not break down large- and small-group.  
 \*\* "Other" contains data for companies reporting covered lives, but could not provide market breakdown.

**Figure 2. Percentage of Firms Offering HDHP/HRAs and/or HSA-Qualified HDHPs, 2005 to 2010**



Source: Kaiser Family Foundation 2010 Employer Health Benefits Survey.

**Figure 3. Percentage of Lives Covered by an HSA/HDHP, by Market Type, March 2005 to January 2011**



Source: AHIP Center for Policy and Research. 2005-2011 HSA Census Reports.

- In 2010, forty-four (44) percent of employees in small businesses chose HSA/HDHP options when offered a choice among those and other types of coverage. This result varied slightly, depending on group size: 49 percent for firms with 10 or fewer employees, 45 percent for firms with 11 to 25 workers, and 40 percent for firms with 26 to 50 workers.

*(America's Health Insurance Plans, July 2011)*

## Population

- According to AHIP's annual census, the age distribution among HSA-eligible enrollees in the individual market has changed only slightly since 2006. About half of enrollees in an HSA-eligible plan (including dependent children) are aged 40 and above, and half are below the age of 40 (see Figure 4).

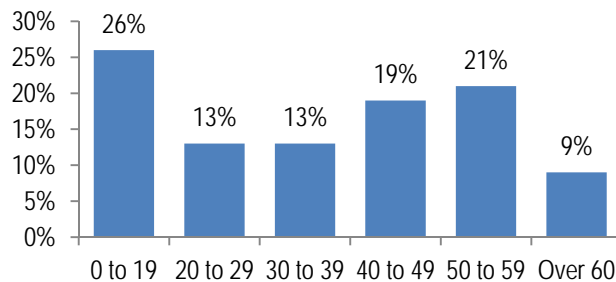
○ In the individual market:

- 26 percent of HSA-eligible plan enrollees were younger than 20 years of age (25 percent in 2008);
- 13 percent were between 20 and 29 (13 percent in 2008);
- 13 percent were between 30 and 39 (16 percent in 2008);
- 19 percent were between 40 and 49 (21 percent in 2008);
- 21 percent were between 50 and 59 (19 percent in 2008);
- 9 percent were ages 60 or over (9 percent in 2008).

*(America's Health Insurance Plans, June 2011)*

- The average age of HSA accountholders at three banks studied in 2010, was 43.0 years.

**Figure 4.** Age Distribution of People Covered by HSA/HDHPs, Individual Market, January 2011



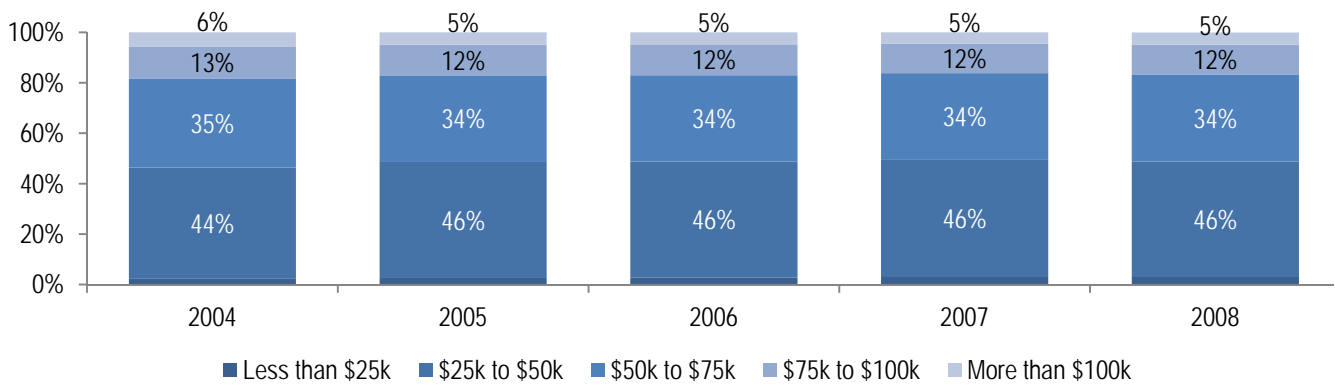
Source: AHIP Center for Policy and Research. 2011 HSA Census Report.  
Notes: Most enrollees in the 0-19 age group were dependents covered under family plans. Figures may not sum to 100 percent due to rounding.

Approximately 16 percent of accountholders were age 20 - 29; 25 percent were age 30 - 39; 27 percent were in age 40 - 49; 23 percent were age 50 - 59; and 8 percent were age 60 and older.

*(America's Health Insurance Plans, December 2010)*

- A 2009 study in which responding banks used a geo-coding technique to estimate the income characteristics of their HSA accountholders found that:
  - 3 percent of HSA accountholders lived in lower income neighborhoods, which had median incomes less than \$25,000 in 1999 dollars;
  - 46 percent lived in lower-middle income neighborhoods, with 1999 median incomes between \$25,000 and \$50,000;
  - 34 percent lived in middle-income neighborhoods, which had median incomes between \$50,000 and \$75,000;
  - 12 percent lived in upper-middle income neighborhoods, with median incomes between \$75,000 and \$100,000; and

**Figure 5. Distribution of HSA Accountholders' Census Tract Median Household Incomes, by Year, 2004 to 2008**



Source: AHIP Center for Policy and Research. Estimated Income Characteristics of HSA Accountholders in 2008.

Notes: Most enrollees in the 0-19 age group were dependents covered under family plans. Figures may not sum to 100 percent due to rounding. The values for the "Less than \$25k" category are 3% for each year, 2004 – 2008.

- 5 percent lived in higher-income neighborhoods, with median incomes above \$100,000 (see Figure 5).<sup>3</sup>

*(America's Health Insurance Plans, May 2009)*

- About 40 percent of tax filers age 19 to 64 who reported HSA activity on their tax returns had average annual incomes below \$60,000.

*(Government Accountability Office, April 2008)*

### Health Status

- A 2008 survey found that similar percentages of enrollees in HSA-qualified plans (45 percent) and traditional plans (49 percent) reported having at least one chronic condition.

*(Employee Benefit Research Institute, March 2008)*

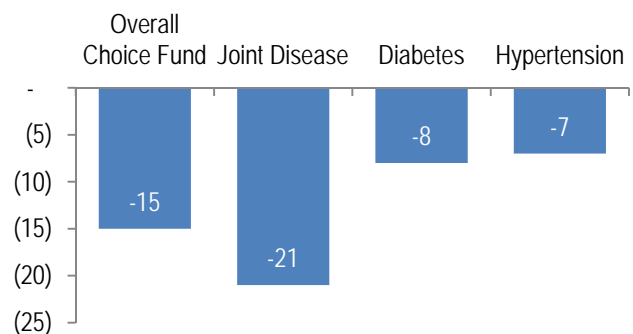
- A 2010 study by Cigna comparing its CDHP, "Choice Fund," and traditional plans showed that

CDHP enrollees are in better control of their chronic health issues and were more engaged in their care. For example, CDHP enrollees were 21 percent more likely to participate in disease management programs than those with traditional coverage.

The Cigna study also found slower growth of health costs among CDHP enrollees (see Figure 6).

*(Cigna, October 2010)*

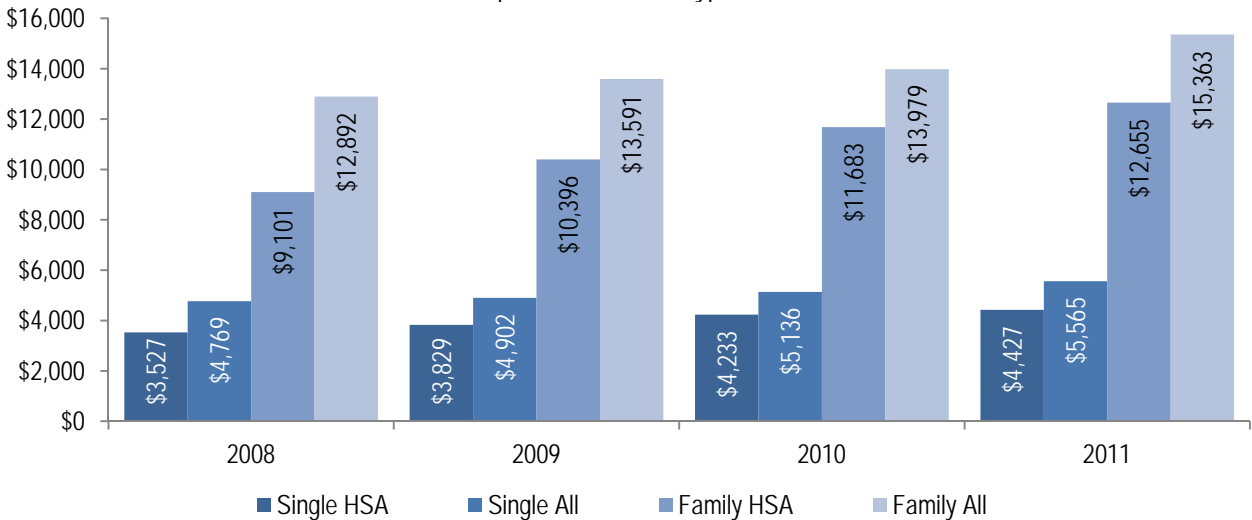
**Figure 6. CDHP versus Traditional Plan Medical Cost Trend Reduction**



Source: Cigna Choice Fund Experience Study: Summary of Key Findings (October 2010).

<sup>3</sup> Median household incomes for all households rose by about 25 percent between 1999 and 2007 (in current dollars).

**Figure 7. Average Annual Premium for Employer-Sponsored Health Benefits, HSA Plans Compared to All Plan Types, 2008 to 2010**



Source: Kaiser Family Foundation 2011 Employer Health Benefits Survey.  
 Note: In 2010, "All" includes non-HDHP/SO plans.

## Premiums

- Average annual premiums for HSA-qualified HDHP Plans as reported in a 2011 Kaiser Family Foundation survey were \$4,427 for single coverage and \$12,655 for family coverage. The Kaiser survey reported that average premiums for HDHP/HRA plans were \$5,227 for single coverage and \$14,909 for family coverage. In contrast, the average premium for non-savings account plans was \$5,565 for single coverage and \$15,363 for family coverage (see Figure 7).  
*(Kaiser Family Foundation, 2011)*
- The AHIP census on HSA-eligible plans in January 2011 reported annual premiums of \$4,152 for single coverage and \$10,248 for family coverage in the small-group market.  
*(America's Health Insurance Plans, June 2011)*

## Preventive Care

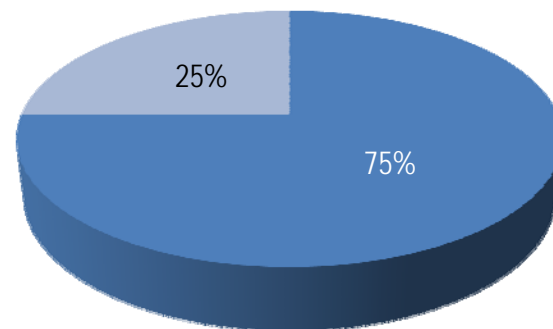
- Ninety-one (91) percent of employees with HSA/HDHP group coverage in 2011 were provided first-dollar coverage for preventive care.  
*(Kaiser Family Foundation, 2011)*
- An Aetna study of 2.3 million members showed that members with either HRA or HSA plans:
  - Spent more on preventive care and accessed higher levels of screenings for breast and cervical cancers, as compared to members in preferred provider organization (PPO) plans;
  - Had higher rates of diabetes-related tests and screenings than members of PPO plans;
  - Visited the emergency room less than their PPO counterparts; and
  - Used prescription drugs necessary to treat chronic conditions at rates similar to PPO members.  
*(Aetna, 2010)*

- The 2010 Aetna study also showed that those with HSA accounts:
  - Had approximately 15 percent fewer non-routine primary care physician (PCP) visits and overall medical costs nine percent lower than members in a PPO plan;
  - Were more engaged in their health—they researched health care cost information online 3 times more often than their PPO counterparts;
  - Had the greatest reduction of PCP non-routine care and reduction in non-urgent ER visits, compared to traditional plan members;
  - Had 20 percent fewer non-urgent ER visits than PPO members; and
  - Were more likely to accumulate funds, when compared to HRA members, with nearly all HSA members rolling over some of their account while more than half of HRA members used their entire fund in 2009 (see Figures 8-A and 8-B).

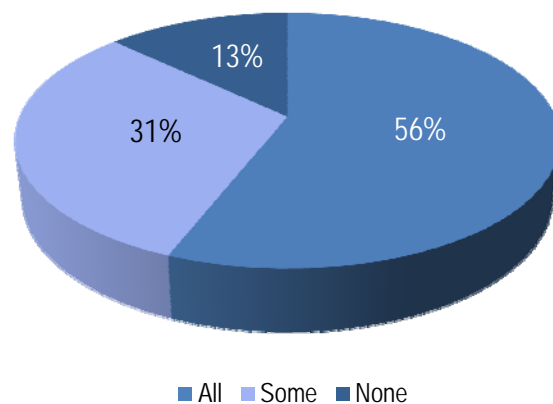
(Aetna, 2010)

- Ninety-six (96) percent of employees in the small group market and 99 percent of employees in the large group market with an HSA/HDHP have first-dollar coverage for adult physicals, annual OB/GYN visits, prenatal and well-baby care. (America's Health Insurance Plans, November 2007)
- A actuarial monograph on consumer-driven health (CDH) plan studies indicates that CDH plan enrollees with chronic conditions use more preventive services than similar patients enrolled in a traditional health plan—in some cases up to 23 percent more than traditional plan enrollees. This was attributed to the fact that most CDH plans provide such care at no charge. The studies also showed:

**Figure 8-A.** Percentage of Members Who Used All, Some, Or None of Their HSA Account Dollars in 2009



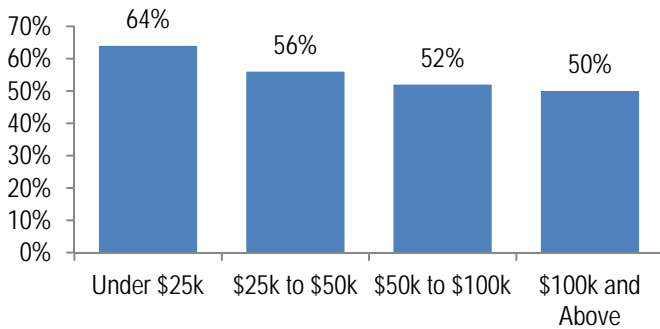
**Figure 8-B.** Percentage of Members Who Used All, Some, Or None of Their HRA Fund in 2009



Source: Aetna. Seventh Annual Aetna Health Fund Study.

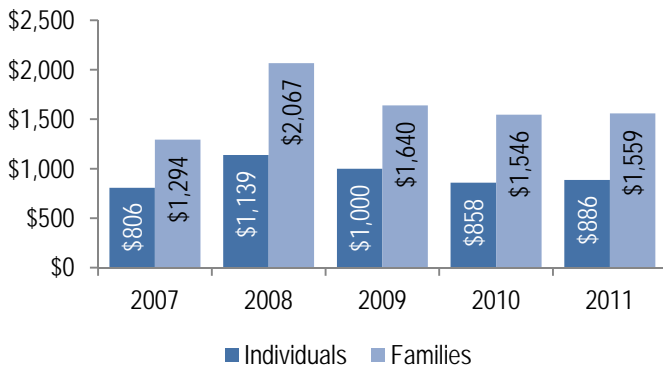
- Enrollees in CDH plans with chronic conditions received recommended care at comparable or higher rates than traditional plan enrollees;
- CDH plan enrollees use fewer inpatient services, and have lower emergency room and acute care spending;
- Enrollees in consumer-directed plans use more generic drugs—a behavior change which results in lower costs without reductions in quality of care;
- An increased incidence of physicians following evidence-based care protocols. (American Academy of Actuaries, May 2009)

**Figure 9. Health Savings Account Adoption Rates, by Income, 2008**



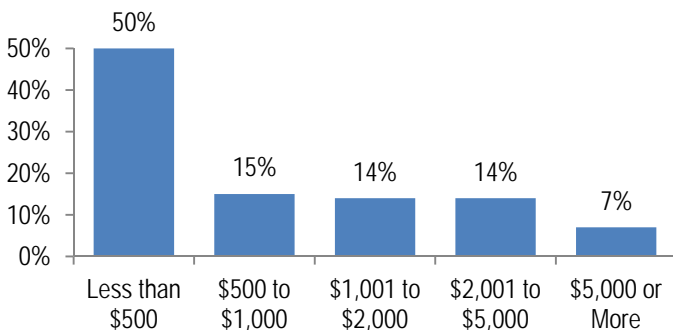
Source: 2008 United Healthcare and Optum Bank study on HSA account holder participation.

**Figure 10. Average Annual Employer Health Savings Account Contributions, 2007 to 2010**



Source: 2007-2010 Kaiser Family Foundation Employer Health Benefits Surveys.

**Figure 11. Account Distribution as of December 31, 2010, by Account Balance**



Source: J.P. Morgan Chase. Health Savings Accounts: 2010 Program Snapshot.

## Account Information

- 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 9). *(United Healthcare, 2008)*

- A 2011 Kaiser Family Foundation study found that 69 percent of employees with employer-sponsored HSA/HDHPs received contributions to the accounts from their employers. Among those accounts receiving employer contributions, the average contribution was \$886 for individuals and \$1,559 for families. Note: For HSA-qualified high deductible health plans (HDHPs), the average annual total employer contribution (premium plus HSA contributions) for covered workers was \$4,723 for single coverage and \$11,138 for family coverage (see Figure 10). *(Kaiser Family Foundation, 2011)*

- A fund administrator snapshot of HSAs in 2010 showed that:
  - 73 percent of accountholders contributed more than they spent during each month in 2010;
  - Account balances grew for all cohorts—35 percent of accounts had balances over \$1,000 (see Figure 11). *(J.P. Morgan Chase, 2010)*

- The 2008 and 2009 EBRI/MGA Consumer Engagement in Health Care Survey and the 2006 and 2007 EBRI/Commonwealth Fund Consumerism in Health Care Surveys reported on the following information about account balances and rollover of HRA/HSA account funds:

- The amount of money that individuals have accumulated in their accounts has grown over time. The proportion of individuals reporting that they had nothing in their account at the time of the survey declined from 14 percent in 2006 to 6 percent in 2009. There were also statistically significant declines in the percentage of individuals with \$200 to \$499 and \$500 to \$999. In contrast, the percentage of individuals reporting account balances of at least \$1,000 at the time of the survey increased from 25 percent in 2006 to 44 percent in 2007. It remained at 43 percent in 2008 and increased to 47 percent in 2009.
- The amount of money being rolled over from one year to the next has also increased. The percentage of persons reporting no rollover fell from 23 percent to 10 percent between 2006 and 2009. The percentage reporting rollovers of \$1,500 or more increased from 13 percent in 2006 to 31 percent in 2009. Some of the increase in rollover amounts may be due to the statistically significant decline in the percentage of individuals who reported that they did not know how much money had been rolled over (see Figure 11).
- Between 2008 and 2009, the percentage of persons with health problems who did not roll over funds from the previous year decreased

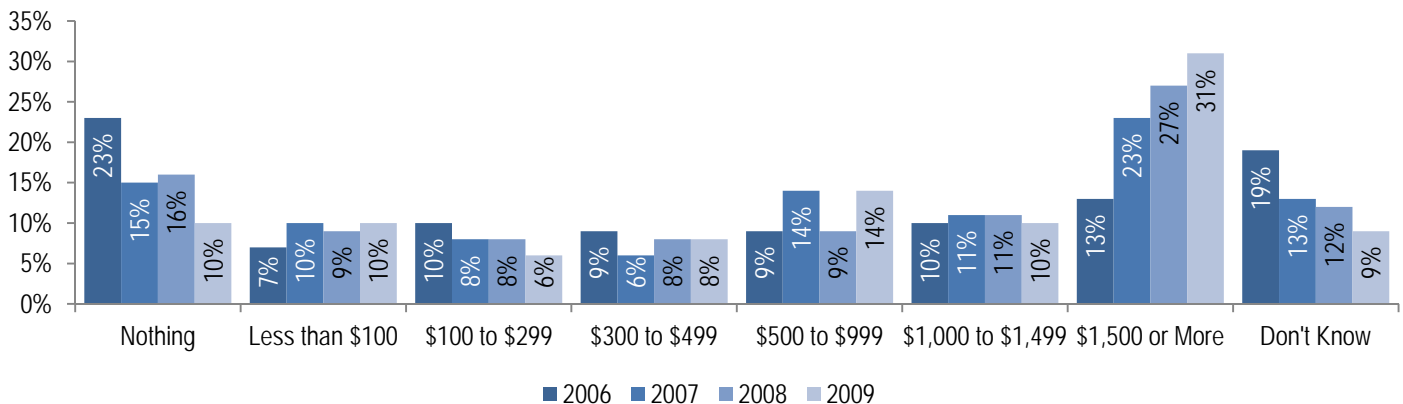
from 21 percent to 10 percent, while the percentage reporting a rollover of at least \$1,500 increased from 19 percent to 33 percent.

*(Employee Benefit Research Institute, November 2009)*

- A 2009 study in which responding banks used a geo-coding technique to estimate the income characteristics of their HSA accountholders found that although accountholders in all neighborhood income ranges used their HSAs, those in higher income ranges tended to make larger deposits and withdrawals. For example, during calendar year 2007:
  - Accountholders residing in areas with median incomes between \$25,000 and \$50,000 (in 1999 dollars) experienced average HSA inflows (personal deposits, employer contributions and interest earnings) of \$1,401 and average outflows (personal spending and fees) of \$936.
  - Accountholders in neighborhoods with median incomes between \$75,000 and \$100,000 (in 1999 dollars), that had average HSA inflows in 2007 of \$2,083 and average outflows of \$1,320.

*(America's Health Insurance Plans, May 2009)*

**Figure 12.** Amount Rolled Over from Past Year, Among Persons with Employee-Only or Family CDHP, 2006-2009



Source: Employee Benefit Research Council. Availability, Contributions, Account Balances, and Rollovers in Account-Based Health Plans, 2006-2009.



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