HIGH DEDUCTIBLES
HIGH RISKS?

Key Considerations for You and Your Members About Utilizing Services in HDHPs*

FOR EMPLOYER HEALTH CARE BENEFITS SPECIALISTS ONLY

*For calendar year 2017, the IRS defines a high-deductible health plan (HDHP) as a health plan with an annual deductible that is not less than $1300 for self-only coverage and $2600 for family coverage, with out-of-pocket expenses capped at $6550 for self-only coverage and $13,100 for family coverage.[1] HDHPs are also referred to as *consumer-directed health plans (CDHPs)*, which are HDHPs paired with a savings plan.[2] For this brochure, we use *HDHP* as the preferred term.

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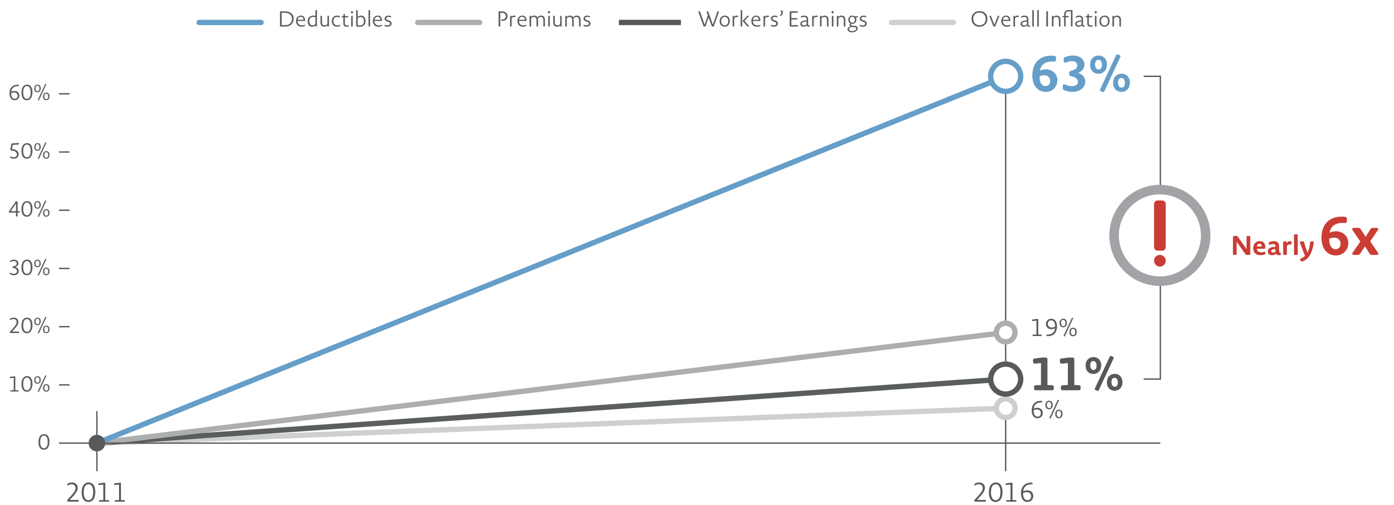
MEMBER HEALTH CARE COSTS ARE RISING, FUELED IN PART BY INCREASING DEDUCTIBLES

In just 5 years, deductibles have risen nearly 6 times as fast as wages[3]

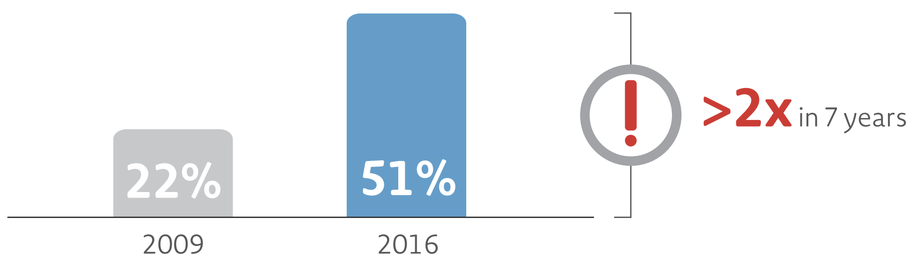
Cumulative increases in health premiums, deductibles, inflation, and workers' earnings[a]



[a]Average general annual deductible is among all covered workers. Workers in a plan without a general annual deductible for in-network services are assigned a value of zero.
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2011-2016. Bureau of Labor Statistics, Consumer Price Index, US City Average of Annual Inflation (April to April), 2011-2016; Bureau of Labor Statistics, Seasonally Adjusted Data From the Current Employment Statistics Survey, 2011-2016 (April to April).

More than half of members across all types of plans now face a deductible of $1000 or more[4]

Percentage of employees with an annual deductible ≥$1000[a,b]

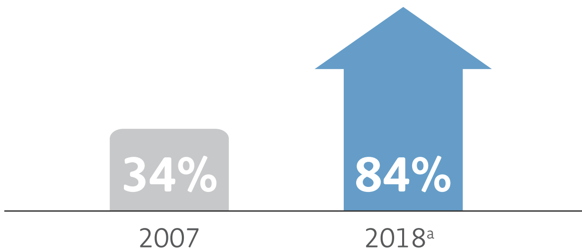


[a]Annual deductible for individual coverage.
[b]These estimates include workers in small firms (3-199 workers) and large firms (≥200 workers) who are enrolled in HDHP/savings option (SO) and other plan types. Average general annual health plan deductibles for preferred provider organizations, point-of-service plans, and HDHP/SO are for in-network services.
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009-2016.

THE PERCENTAGE OF MEMBERS IN HDHPs HAS INCREASED CONSIDERABLY

The percentage of employers turning to HDHPs has more than doubled over the past decade[2]

Employers offering HDHPs

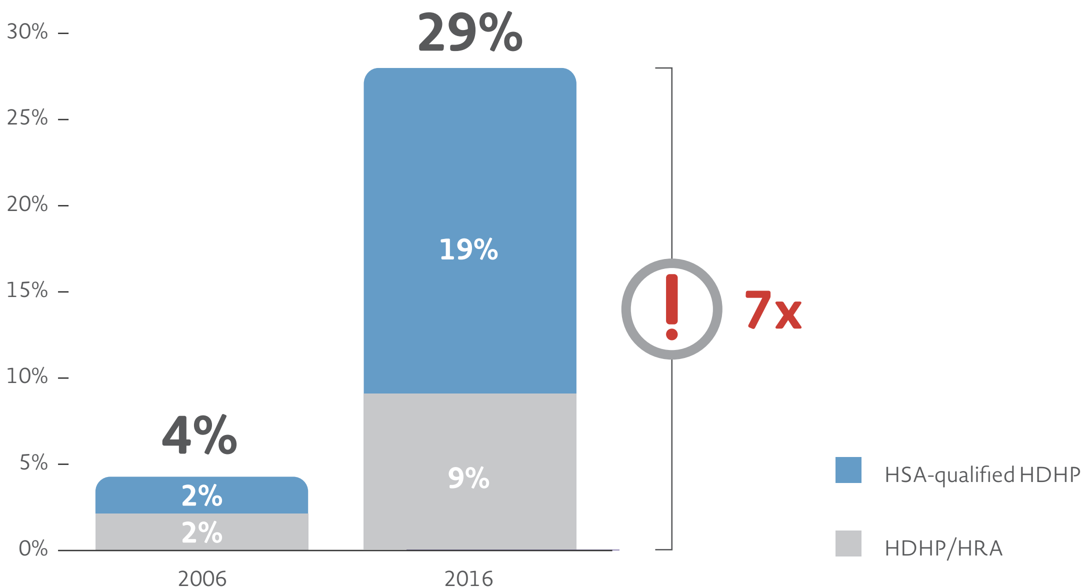


- This growth is **expected to continue**
- By 2018, **almost half of employers** expect to offer an HDHP as **the ONLY option**

[a]Employer projection.
Source: Benfield, a division of Gallagher Benefit Services, Inc. EMI Trends, 2016.

As a result, nearly 30% of covered workers are enrolled in plans with high deductibles[5]

Percentage of covered workers enrolled in an HDHP/HRA or HSA-qualified HDHP, 2006-2016[a]



[a]Covered workers enrolled in an HDHP/SO are enrolled in either an HDHP/HRA or an HSA-qualified HDHP. The percentage of covered workers enrolled in an HDHP/SO may not equal the sum of HDHP/HRA and HSA-qualified HDHP enrollment estimates due to rounding.
Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2006-2016.

HOW MANY OF THESE MEMBERS COMPLETELY UNDERSTAND HOW THEIR HDHP AND DEDUCTIBLES WORK?

HRA=health reimbursement arrangement; HSA=health savings account.

PEOPLE MAY NOT FULLY UNDERSTAND HOW THEIR HEALTH COVERAGE AND DEDUCTIBLES WORK

Your members may lack the health literacy skills needed to make the best choices when selecting and using their benefits

Less than 10% of adults have a full understanding of basic insurance concepts[6]

62% Knew the correct meaning of the term **health care premium**

62% Recognized the correct definition of the term **health plan deductible**

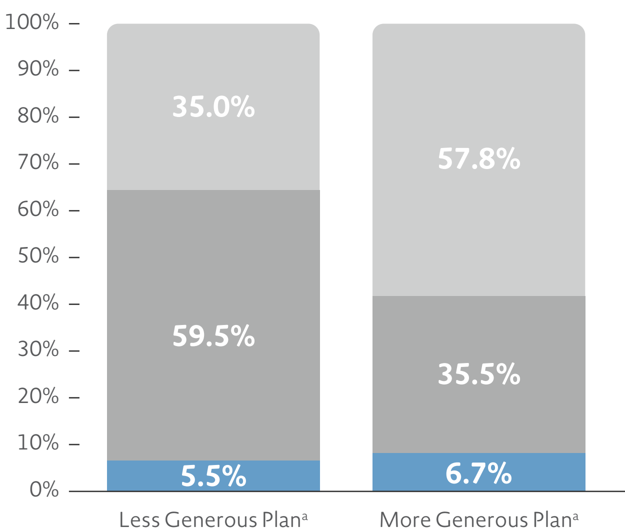
36% Knew the meaning of the term **out-of-pocket maximum**

32% Had a good understanding of the term **coinsurance**

Only 7% could correctly define **all 4** common insurance terms

Source: UnitedHealthcare Consumer Sentiment Survey, telephone survey of 1011 US adults, 2016.

An even smaller proportion of HDHP members have a solid grasp of their deductible plan[7]



In 2005, **only 5%** of newly enrolled HDHP members knew their plan **had a deductible**, knew their **deductible amount**, and knew **which services applied** to the deductible

Knew plan included a deductible AND which services were included or excluded

Knew plan included a deductible, but NOT which specific services were included or excluded

Did not know their plan included a deductible

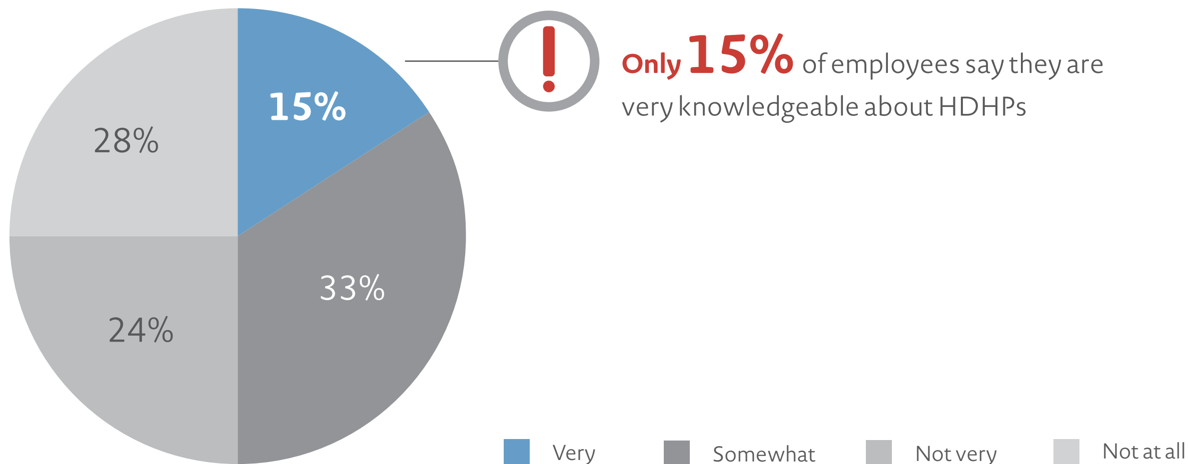
[a]Less generous plan: individual deductible $500 to $1000; more services included in deductible. More generous plan: individual deductible $250 to $1000; more services exempt from deductible.

Source: BMC Health Services Research, telephone survey of 458 employees enrolled in a range of deductible-based plans through a large-group employer, 2005.

THERE IS A GREAT DEAL OF CONFUSION ABOUT HDHPs

Your members may not have a good understanding of how HDHPs work

How knowledgeable are employees about HDHPs?[8]



Although some employees think HDHPs are affordable and are a good value, others think HDHPs are[8]:

Risky

Confusing

Overly complicated

Intimidating

Disappointing

Source: Harris Poll, online survey of 2105 full-time employees eligible for company-provided benefits, 2016.

WHAT COULD THE CONSEQUENCES BE WHEN EMPLOYEES OPT FOR A PLAN THEY DON'T UNDERSTAND?

THE MAJORITY OF HDHP MEMBERS ARE ALSO NOT SURE HOW TO OPTIMIZE THEIR HSAs

Many employees are setting aside too little money in HSAs to cover OOP costs for routine health care and medication needs

A survey of more than 400,000 HSA holders showed[9,*]:

Most employees are not contributing enough to their HSA to pay their OOP costs:

- Almost **50% of employers contributed more money** to their employees' HSAs than did the employees themselves
- The **median employee contribution was $700**
- Only **5% of employees contributed the maximum amount** allowed by the IRS

Even when they do contribute, they're not investing their funds

- Only **4% of employees able to invest their HSA money chose to do so**

*Based on data (dating from 2013) from UMB Bank, one of the largest HSA administrators in the United States.

In a 2016 national online survey of covered employees[10]:

Only 2 in 5 **full-time employees** said they **had the funds available to pay a $3000** OOP medical expense.

Source: Guardian Workplace Benefits Survey of 1439 employees, 2016.

OOP=out-of-pocket.

Consider Michelle's Story*

HOW SWITCHING TO AN HDHP AFFECTED A MEMBER WITH MULTIPLE SCLEROSIS (MS)

Last year

Michelle had been enrolled in her company's PPO

- Michelle is an unmarried 37-year-old employee with a long tenure
- Under her company's PPO, her MS medication co-pay was $100/month, and her neurologist office visit co-pay was $25

This year

Michelle switched to an HDHP to take advantage of a lower premium

- Michelle's new HDHP has a $1500 deductible for individual coverage
- Her employer contributed $500 to her HSA, but Michelle did not contribute additional funds

Impact

How has switching to an HDHP affected Michelle's health care decisions?

- **At first, Michelle did not fully understand how the HDHP worked.** When she refilled her monthly **MS prescription** for the first time under her new plan, she was **shocked** to learn that **she'd have to pay $1500**
- Even with $500 in her HSA, **she was not prepared** to pay the **additional $1000 for her medication** that month
- **Michelle stopped taking her medication,** and she also decided to **skip her next neurologist visit**

*Fictional case; for illustrative purposes only.

COULD YOU HAVE A MICHELLE AMONG YOUR MEMBERS?

PPO=preferred provider organization.

HDHP MEMBERS MAY NOT BE GETTING THE CARE THEY NEED

While HDHPs are designed to promote consumerism, most individuals are not comfortable shopping for health care services, regardless of plan type

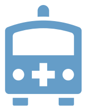
58% say that shopping for health care services is **extremely challenging**[11]

48% **don't know how to shop** for the best value, because it's **very difficult to predict OOP** costs for large purchases[11]

Source: Alegeus Healthcare Moments of Truth Research Report, online survey of 4000 US health care consumers, 2016.

In a 2008 survey of families with chronic conditions[12]:

Adult HDHP members reported that they were more likely to delay or forgo care due to cost than adults in traditional health plans



ED visits: **>1.5x** as likely

Acute visits: **>2x** as likely

Checkups: **>2.5x** as likely

Chronic-care visits: **>3x** as likely

Tests: **>9x** as likely

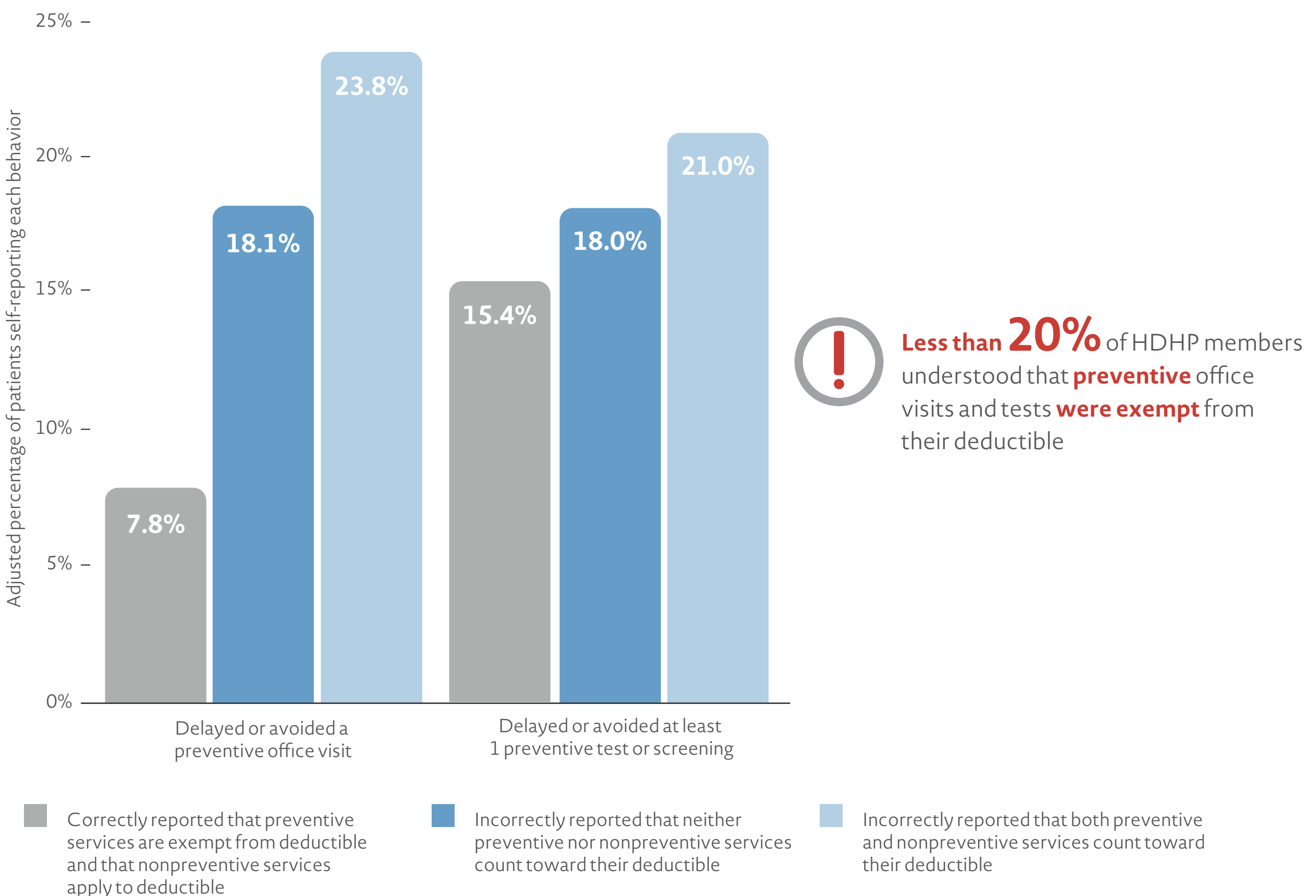
Source: Cross-sectional telephone/mail survey of families with chronic conditions in HDHPs and traditional plans, 2008.

ED=emergency department.

LOW HEALTH LITERACY MAY COMPOUND THIS BEHAVIOR

Members with a limited understanding of how deductibles work may not take advantage of free or low-cost preventive care

HDHP members with a more limited understanding of deductibles reported that they were more likely to delay or avoid care than those with a greater understanding[13]



Source: Mail/telephone survey of 456 Kaiser Permanente Northern California subscribers enrolled in an HSA-qualified HDHP through their small-group employer, 2008.

69% of Americans say that **deciphering health care jargon** is a **significant barrier** to making health care decisions.[11]

EVEN HIGH-WAGE HDHP MEMBERS DELAY OR FORGO NEEDED CARE

Some newly enrolled HDHP members with adequate HSA funds to cover their deductible failed to get needed care[14]

- A self-insured employer with **approximately 160,000 covered lives** switched from a plan that provided free medical care (no cost sharing) to a **full-replacement HDHP** with an HSA
- Employees received **a subsidy in their HSAs** that was **equal to their deductible** amount
- Median income was **$125,0000 to $150,000**

Results

- In the first year after the switch (2012-2013), **members cut back on utilization** rather than use their HSA funds to cover OOP costs:

18% reduction — **across the full range of services**, including those high in value in terms of health benefits and potential for avoiding future costs

10% reduction — in **preventive** care

18% reduction — in physician **office visits**

19% reduction — in prescription **drugs**

20% reduction — **in overall utilization** among the sickest member population

Case Study 2

HDHPs CAN DISCOURAGE UTILIZATION FOR MEMBERS WITH CHRONIC CONDITIONS, EVEN FOR PREVENTIVE CARE

Health care utilization has been shown to be low even among HDHP members with chronic conditions[15]

- A national employer **with 28,000 covered lives** switched from offering 2 PPO plan options in 2004 to offering 2 **full-replacement HDHP options with an HRA** in 2005
- In the **first HDHP option,** employees received enough funds in their HRA to cover **50% of their medical deductible**
- In the **second HDHP option,** employees received enough funds to cover **20% of their medical deductible**

Results

- For this study, 2 groups (PPO control and HDHP) were compared, each comprising members with a diagnosis of **at least 1 chronic condition**[a]
- When compared with the PPO control group, the HDHP group had[b]:

36% reduction
in outpatient visits
(vs 22% reduction)

34% reduction
in laboratory and diagnostic services
(vs 20% reduction)

31% increase
in medication nonadherence across all observed disease states
(vs 4% increase in **medication adherence**)

- **Even without a pharmacy deductible**, members with chronic conditions were **significantly less likely to be adherent** with their medications after switching to an HDHP

[a]Individuals selected for analyses in both groups had at least 1 outpatient visit, ED visit, or hospitalization in which the primary diagnosis was allergic rhinitis, asthma, arthritis, diabetes, depression, high cholesterol, acid reflux, or high blood pressure.

[b]Medical utilization was measured by using the number of disease-specific ED visits, hospitalizations, outpatient visits, and laboratory or diagnostic visits for each member with corresponding ICD9 codes as a primary diagnosis. Medication adherence was defined as medication possession ratio (MPR). MPR is measured from the first to the last prescription; the denominator is the duration from index to the exhaustion of the last prescription, and the numerator is the days supplied over that period. Individuals were considered adherent if their overall MPR levels for a chronic disease were greater than 80%.

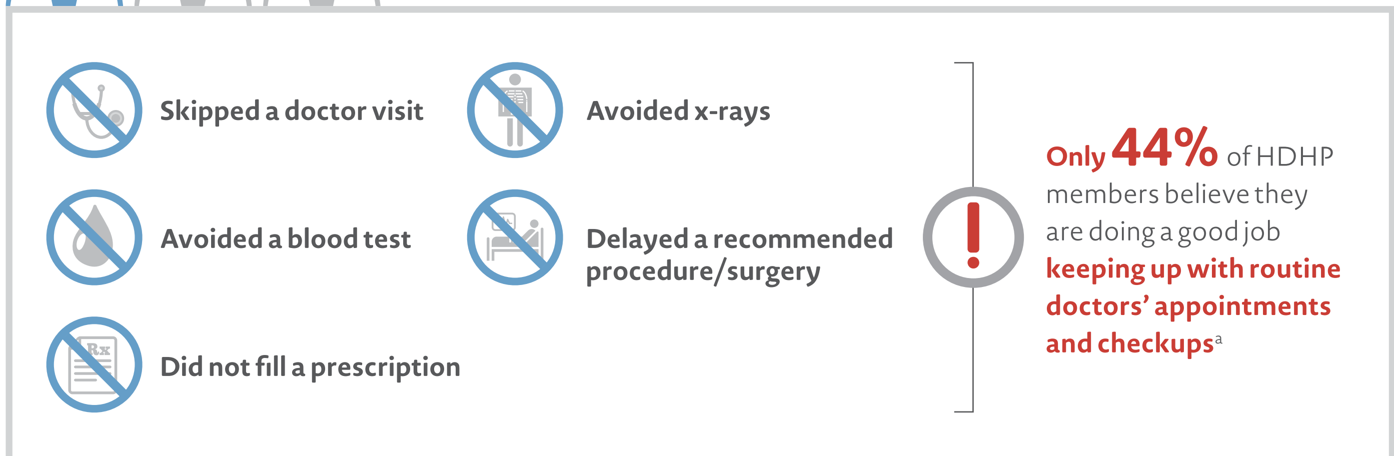
WHAT ARE THE POTENTIAL LONG-TERM RISKS TO THE HEALTH OF YOUR MEMBERS WHO MAY NOT SEEK THE CARE THEY NEED?

MEMBERS WHO DON'T GET CARE NOW MAY NEED MORE HEALTH SERVICES LATER ON

HDHP members are delaying needed care or avoiding it altogether

In a 2016 national online survey of covered employees[10]

1 in 3 HDHP members reported that they had:



[a]Compared with 50% of employees with a traditional health plan.
Source: Guardian Workplace Benefits Survey of 1439 employees, 2016.

Avoidance of medical and pharmacy care may ultimately lead to more ED visits

In a 2015 poll, **7 in 10** emergency physicians reported having seen insured patients who had **delayed seeking medical care because of high deductibles and other OOP expenses**.[16,*]

In a recent study that examined the **impact of a full-replacement HDHP** on health services utilization over 5 years (2006-2010), employees who switched from a PPO to an HDHP[17,†]:

- **Reduced** their outpatient **physician visits** and **prescription drug fills** in each of the 4 years post–HDHP enrollment[‡]
- **Increased** their **ED visits** in the fourth year post–HDHP enrollment[§]

> Without taking additional steps, employers using HDHPs to help rein in medical costs may experience a bump in short-term savings, but potentially at the risk of higher catastrophic claims in the long term.[10]
>
> —*The Guardian Workplace Benefits Study, 2016*

*Patients with health insurance through private and exchange plans only.
†Effects of HDHP on health services use relative to the level of use before 2006, when the HDHP was implemented.
‡For 2007, 2008, 2009, and 2010, the marginal effects were reduced as follows: physician visits by 0.4749, 0.2321, 0.2170, and 0.2591, respectively (P<0.01) and prescription drug fills by 1.3681, 0.9162, 0.8038, and 0.8469, respectively (P<0.01). It is unknown whether people reduced unnecessary prescriptions or reduced necessary pharmaceutical services.
§For 2010: ED visits increased by 0.0179 (P<0.05).

ULTIMATELY, MEMBERS WITH COMPLEX, CHRONIC CONDITIONS NEED ACCESS TO COMPREHENSIVE SUPPORT AND CARE

A number of your members likely suffer from complex conditions such as Rheumatoid Arthritis (RA), Multiple Sclerosis (MS), Inflammatory Bowel Disease (IBD), etc.

The benefits you provide should help your members get properly diagnosed and manage their complex diseases, ensuring that they have access to:

- Care from a **team of health providers** who specialize in the disease and its complications
  - Eg, gastroenterologists, neurologists, rheumatologists, etc.

- **Laboratory services** and **periodic testing** for diagnosis, disease assessment, and monitoring, as well as screening for coexisting conditions
  - Eg, blood tests, imaging tests, disability assessments

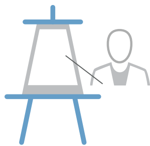
- Medications, including **specialty medications**, for the management of their condition

- **Medical procedures**, such as surgery, if required

- Additional **supportive care** as needed
  - Eg, behavioral health management, physical and/or occupational therapy, nutrition counseling, support groups

HOW DO YOU ENSURE YOUR MEMBERS IN HDHPs—
ESPECIALLY THOSE LIKE MICHELLE—
GET THE CARE THEY NEED, WHEN THEY NEED IT?

WHAT CAN YOU DO TO HELP YOUR MEMBERS CHOOSE AND USE THEIR HDHPs WISELY?



Provide simple and clear benefit communications at every point in the selection and utilization process

Communicate with members throughout the year

- **Before and during enrollment, use multiple communication channels—including emails, on-site kiosks, and mobile messaging—to promote your benefits portal and ensure that members take advantage of tools and other resources**
- **On a regular basis, offer ongoing education to help members better understand how their plans work and make the most of their benefits, including HSAs, HRAs, and FSAs**
- **Whenever possible, encourage members to make smart decisions every time they interact with the health care system**, such as utilizing preventive care and taking maintenance medications as prescribed by their health care provider

Communicate with all members—not just employees—especially at the point of care

- **Spouses and dependents also need to understand how their benefits work**
- **Point-of-care communications are especially important for young adult dependents** (18 to 26 years old) **who may live away from home**

CLEAR COMMUNICATION IS VITAL TO SMART DECISION MAKING: TRANSPARENCY TOOLS WORK ONLY WHEN MEMBERS FULLY UNDERSTAND WHEN AND HOW TO USE THEM.

FSA=Flexible Spending Account.

Help ensure that costs are not a barrier to care, especially for members who may need specialty medications

Help HDHP members with HSAs optimize their accounts

- **Offer some initial funding to help members cover at least a portion of their health care expenses**
- **Provide additional funding opportunities that will give your members' HSAs a financial boost. For example, contribute funds to encourage participation in wellness programs** (eg, getting a flu shot, taking a health risk assessment survey)
- **Encourage members to consider funding their HSAs with the money they save in premiums at least up to the amount of their deductible**

Evaluate modifying your benefit design for those with lower wages and/or chronic conditions

- **Consider offering an HRA option, which allows prescription drug coverage outside the deductible**[18]
- **Assess the opportunity to implement wage-based deductibles**

Support legislation designed to ensure that HDHP members who need medications for chronic conditions can afford their prescriptions

- Introduced to Congress in July 2016, HR 5652, the Access to Better Care Act of 2016, would allow HSA-qualified HDHPs to provide predeductible coverage for medical treatment related to chronic conditions or diseases[19]

BETTER COMMUNICATION AND FUNDING CAN LEAD TO A GREATER UNDERSTANDING OF HDHPs, A HIGHER LEVEL OF EMPLOYEE SATISFACTION, AND IMPROVED HEALTH CARE UTILIZATION FOR YOU AND YOUR MEMBERS.

FINAL CONSIDERATIONS

What if Michelle had fully understood her new plan?

What if she had put her premium savings into her HSA to cover the deductible for her MS medications?

What if HR 5652 is passed into law, and Michelle's medications are no longer subject to the deductible?

THE STEPS YOU TAKE TODAY CAN HELP MEMBERS LIKE MICHELLE MAKE THE RIGHT DECISIONS FOR THEIR HEALTH RIGHT NOW—AND FOR YEARS DOWN THE ROAD.

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