



Center for
Policy and
Research

JANUARY 2007 CENSUS SHOWS 4.5 MILLION PEOPLE COVERED BY HSA/HIGH-DEDUCTIBLE HEALTH PLANS

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HSA/HDHP Enrollment Continues to Grow in Both the Individual and Group Markets.

SUMMARY

A periodic census by America's Health Insurance Plans (AHIP) of U.S. health insurance carriers shows that the number of people covered by health savings accounts/high-deductible health plans (HSA/HDHPs) totaled 4.5 million in January 2007, up by 1.3 million from the 3.2 million figure reported by AHIP members in January 2006. AHIP received participation from virtually all private health insurance carriers in the HSA/HDHP market for this census. This census does not include coverage associated with health reimbursement arrangements (HRAs), which are most commonly offered in the large-group market. Other highlights of the 2007 census:

INDIVIDUAL MARKET

- Enrollment rose from 855,000 in January 2006 to 1.1 million in January 2007.
- Twenty-seven (27) percent of new enrollees were previously uninsured.
- Forty-six (46) percent of enrollees — including dependents covered under family plans — are aged 40 or older.
- Twenty-five (25) percent of new purchases of health insurance were HSA/HDHP products.

GROUP MARKET

- Overall, enrollment rose to almost 3.4 million in January 2007 from 1.4 million in January 2006.
- Slightly over 1 million were enrolled in the small-group market and 2 million in the large-group market.
- HSA/HDHP products accounted for 17 percent of new policies in the small-group market and 8 percent of new policies in the large-group market.

COVERAGE OPTIONS

- In two market segments — individual and large-group — over 90 percent of enrollees in HSA/HDHPs were in PPO (preferred provider organization) products.
- Approximately 85 percent of enrollees in small-group HSA/HDHPs were in PPO plans.

PREVENTIVE CARE/DISEASE MANAGEMENT

- Most companies responding to the census offered HSA/HDHP options with preventive benefits that are covered before the deductible is satisfied.
- Most companies provided disease management services; common programs included services for patients with asthma (82 percent), chronic obstructive pulmonary disease (65 percent), congestive heart failure (84 percent), coronary artery disease (84 percent), and diabetes (91 percent).

CONSUMER INFORMATION TOOLS

- Over 90 percent of HSA/HDHP enrollees had online access to account information.
- Ninety-five (95) percent had online access to health education tools.
- Eighty-six (86) percent had access to quality information about specific hospitals.
- Fifty (50) percent had access to physician-specific quality information.
- Eighty-eight (88) percent had access to some health care cost information.
- Over 70 percent had access to Personal Health Records (PHRs).

HEALTH SAVINGS ACCOUNTS (based on information from over 350,000 HSAs)

- As of January 2007, 65 percent of accounts had been in place for less than one year.
- Eighty-eight (88) percent of accounts in place in 2006 had average annual balances of \$2,500 or less. Four (4) percent had average annual balances over \$5,000.

HSA/HDHP AVAILABILITY

- Eleven (11) companies responding to the 2007 census had HSA/HDHP enrollment of more than 100,000 people (covered lives including dependents) in January 2007.
- Twenty-six (26) companies had HSA/HDHP enrollment of more than 25,000 people.
- Fifty-one (51) companies reported HSA/HDHP enrollment of more than 5,000 people.

INTRODUCTION

Health savings accounts (HSAs) give consumers incentives to manage their own health care costs by coupling a tax-favored savings account used to pay medical expenses with a high-deductible health plan (HDHP) that meets certain requirements for deductibles and out-of-pocket expense limits.¹ Most HDHPs cover preventive care services (e.g., routine medical exams, immunizations, well-baby visits) without requiring the enrollee to meet the deductible. The funds in the HSA are owned by the individual and may be rolled over from year to year.

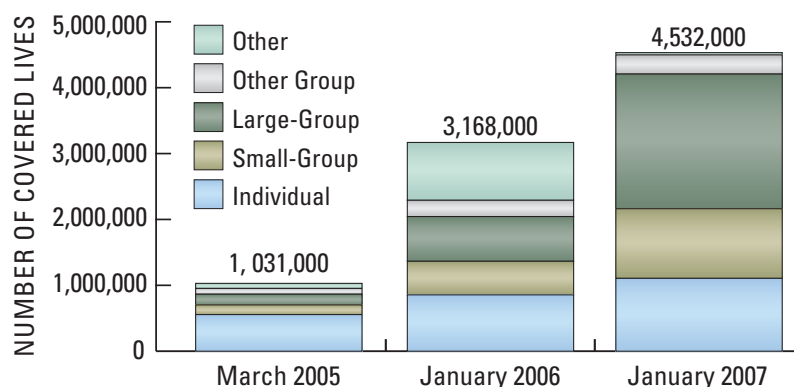
HSAs were allowed starting in January 2004. Since then, AHIP has conducted a periodic census of health insurance plans to monitor and report on the HSA/HDHP health insurance market. Virtually all health insurance plans in the U.S. that sell HSA/HDHP products participated in this census.

Importantly, the census does not track participation in health reimbursement arrangement (HRA) products, which have features similar to HSAs and are offered by many large employers.

MARKET OVERVIEW

As of January 2007, approximately 4.5 million people were covered by HSA/HDHP products. This represents an increase of 1.3 million since January 2006 and 3.5 million since March 2005 (see Figure 1 and Table 1). Eighty-seven (87) companies responded to the January 2007 census. Fifty-three (53) of these companies had HSA/HDHP enrollment in the individual market; 81 companies had HSA/HDHP enrollment in the small-group market; and 76 companies had enrollment in the large-group market.

FIGURE 1.
Growth of HSA/HDHP Enrollment from March 2005 to January 2007



¹ For 2007, the minimum annual deductible for self-only HDHP coverage is \$1,100, and the maximum out-of-pocket limit is \$5,500. For family HDHP coverage, the minimum deductible is \$2,200, and the maximum out-of-pocket limit is \$11,000. These amounts are indexed annually for inflation.

TABLE 1.
HSA/HDHP Enrollment (Covered Lives)

	March 2005	January 2006	January 2007
INDIVIDUAL MARKET	556,000	855,000	1,106,000
SMALL-GROUP MARKET	147,000	510,000	1,057,000
LARGE-GROUP MARKET	162,000	679,000	2,044,000
OTHER GROUP*	88,000	247,000	291,000
OTHER**	77,000	878,000	34,000
TOTAL	1,031,000	3,168,000	4,532,000

* For this census, companies reported enrollment in the large- and small-group markets according to their internal reporting standards. The "other group" category contains enrollment data for companies that could not break down their group membership into large- and small-group categories within the deadline for reporting.

** The "other" category was necessary to accommodate companies that were able to provide information on the number of people covered by HSA/HDHP policies but were not able to provide a breakdown by market category within the deadline for reporting.

Eleven (11) of the companies had HSA/HDHP enrollment of more than 100,000 covered lives each, up from 7 companies in January 2006, and 2 in March 2005 (see Table 2). Similarly, 26 companies each had HSA/HDHP enrollment of more than 25,000 covered lives in January 2007, up from 15 companies in January 2006, and 11 in March 2005. Fifty-one (51) companies each reported HSA/HDHP enrollment of more than 5,000 covered lives in January 2007.²

The fastest growing market for HSA/HDHP products is large-group coverage, which has grown from 19 percent of the market in March 2005 to almost 50 percent of the HSA/HDHP market in January 2007 (see Figure 2).

In two market segments — individual and large-group — over 90 percent of enrollees in HSA/HDHPs were in PPO (preferred provider organization) products. Approximately 85 percent of enrollees in small-group HSA/HDHPs were in PPO plans. PPO plans have both in-network and out-of-network benefits, with lower co-payment or coinsurance requirements for in-network services. HSA/HDHP enrollees generally have access to negotiated discount arrangements with health care providers through their PPOs or other plans.

TABLE 2.
HSA/HDHP Enrollment Levels, by Number of Responding Companies

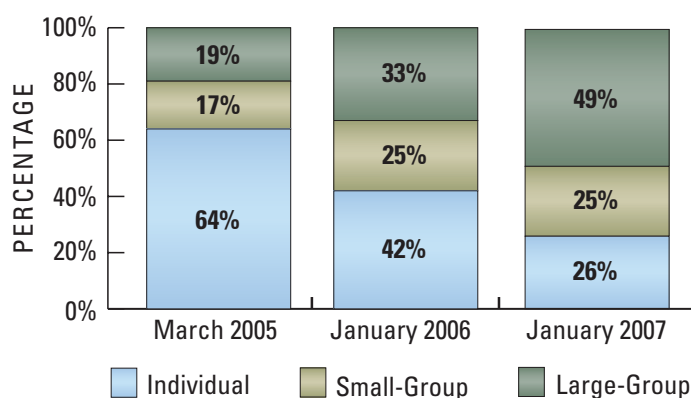
ENROLLMENT (Covered Lives)	March 2005	January 2006	January 2007
100,000+	2	7	11
25,000+	11	15	26
10,000+	16	35	39
5,000+	23	44	51

Note: Each responding company may have multiple subsidiaries operating in many states. However, results for enrollment levels by company are reported only for the overall company, grouping data from all subsidiaries into one unit.

² Results for responding companies are reported for the overall company by grouping data from all subsidiaries into one unit, regardless of the number of subsidiaries or number of states where the company does business.

FIGURE 2.

Percentage of Lives Covered by an HSA/HDHP, by Market Type



Note: Covered lives for "other" and "other group" market categories are not included in these calculations.

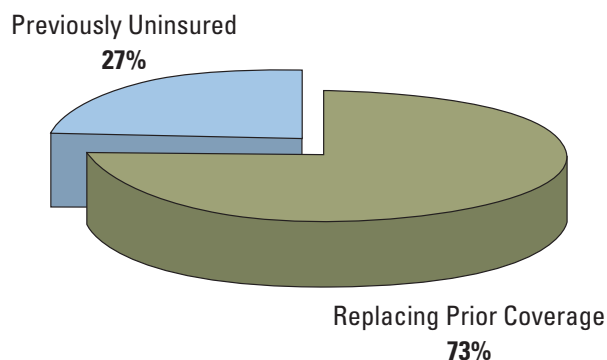
INDIVIDUAL MARKET

Companies responding to the census reported a total of 1.1 million people covered by HSA/HDHPs purchased in the individual market in January 2007. According to the census, 25 percent of new business in the individual market was for HSA/HDHP plans (based on the total number of covered lives).

Data from a subgroup³ comprising most of the companies offering HSA/HDHP coverage in the individual market indicate that 27 percent of new policies were purchased by individuals who previously did not have health insurance (see Figure 3).

FIGURE 3.

Percentage of HSA/HDHP Policies Purchased by Previously Uninsured, Individual Market



Note: Companies responding to this question reported HSA/HDHP enrollment of 1,010,854 lives in the individual market.

³ Most companies offering coverage in the HSA/HDHP market were able to respond to this question. These companies reported HSA/HDHP enrollment of 1,010,854 in the individual market.

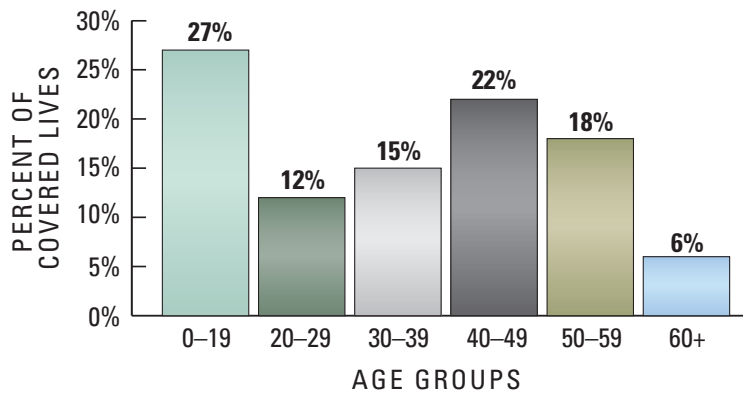
According to the 2007 census, 46 percent of HSA/HDHP enrollees in the individual market (including dependents covered under family plans) were aged 40 or over; 54 percent were under age 40. Specifically, 27 percent of enrollees were younger than 20 years of age; 27 percent were between the ages of 20 and 39; 22 percent were between the ages of 40 and 49; and 24 percent were 50 years of age or older (see Figure 4).

Additionally, the census found that men and women accounted for roughly equal proportions (51 percent and 49 percent respectively) of enrollment in HSA/HDHPs.

Table 3 provides information on the single and family deductibles, out-of-pocket limits, and maximum lifetime benefit limits (for companies that impose such limits) for the best-selling HSA/HDHPs sold by companies in the individual market. Table 4 provides the average premium for the best-selling policies in the individual market, by age group.

FIGURE 4.

Age Distribution of People Covered by HSA/HDHPs, Individual Market



Note: Most enrollees in the 0-19 age group were dependents covered under family plans.

TABLE 3.

Description of HSA/HDHP Policies,
Individual Market — Best-Selling Product

	Single	Family
AVERAGE ANNUAL DEDUCTIBLE*	\$2,668	\$5,264
AVERAGE ANNUAL OUT-OF POCKET LIMIT	\$3,449	\$6,881
AVERAGE LIFETIME MAXIMUM BENEFIT**	\$3.8 million	\$3.9 million

* Policies generally cover preventive care services before the deductible is reached.

** Companies representing 12 percent of single HSA/HDHP coverage and 14 percent of family coverage reported an unlimited lifetime maximum benefit and are not included in this calculation.

TABLE 4.
Individual HSA/HDHP Premiums by Age — Best-Selling Product

	Age 20–29	Age 30–54	Age 55–64
AVERAGE ANNUAL PREMIUM, SINGLE POLICY	\$1,434	\$2,106	\$3,540
AVERAGE ANNUAL PREMIUM, FAMILY POLICY	\$3,240	\$4,616	\$6,506

GROUP MARKET

Approximately 3.4 million people were covered in the group market under HSA/HDHPs as of January 2007. This includes 1,057,000 in the small-group market and 2,044,000 in the large-group market. Companies responding to the census reported covering an additional 291,000 people in the group market in January 2007 but did not report the breakdown between the small- and large-group markets. These responses were placed into a category called “other group.” Finally, these totals for group coverage are likely understated slightly, because 34,000 people covered by HSA/HDHPs were not categorized by group or individual market (but were included in the overall totals).

SMALL-GROUP MARKET

Companies offering HSA/HDHP products in the small-group market reported enrollment of 1,057,000 people as of January 2007. In general, small-group coverage was defined as coverage through employers with 50 or fewer employees, although a handful of respondents to the census used slightly different definitions. Seventeen (17) percent of new business in the small-group market was for HSA/HDHPs (based on the total number of covered lives).

Average deductibles for the best-selling HSA/HDHPs in the small-group market were lower than those in the individual market, averaging \$2,282 for single coverage and \$4,541 for family coverage. Average annual out-of-pocket limits for the best-selling HSA/HDHPs in this market were \$3,404 for single coverage and \$6,611 for family policies. The average lifetime maximum benefit (for companies imposing lifetime limits) for small-group policies was \$3.5 million for single policies and \$3.6 million for family policies. Premiums averaged \$2,855 for single coverage and \$6,995 for family coverage (see Table 5).

TABLE 5.
Description of HSA/HDHP Policies,
Small-Group Market — Best-Selling Product

	Single	Family
AVERAGE ANNUAL DEDUCTIBLE*	\$2,282	\$4,541
AVERAGE ANNUAL OUT-OF-POCKET LIMIT	\$3,404	\$6,611
AVERAGE LIFETIME MAXIMUM BENEFIT**	\$3.5 million	\$3.6 million
AVERAGE ANNUAL PREMIUM	\$2,855	\$6,995

*Policies generally cover preventive care services before the deductible is reached.

**Companies representing 9 percent of both single and family coverage in the small-group market reported an unlimited lifetime maximum benefit and are not included in this calculation.

LARGE-GROUP MARKET

As of January 2007, large-group coverage had increased to more than 2 million people, up from 679,000 in January 2006.⁴ Eight (8) percent of all new business in the large-group market was attributed to HSA/HDHPs.

Table 6 provides the average annual deductibles, out-of-pocket limits, and lifetime maximum benefit limits (for companies with such limits) for the best-selling single and family HSA/HDHP policies in the large-group market.

Premiums for large-group coverage in HSA/HDHPs were similar to those reported for small-group coverage. In both cases, these premiums are considerably lower than premiums reported in surveys of all employer-based coverage. For example, the average premium was \$11,480 in 2006 for employer-sponsored family policies.⁵ In 2006, a survey of AHIP members reported average premiums of \$3,730 for single coverage and \$9,770 for family coverage in the small-group market.⁶

TABLE 6.
Description of HSA/HDHP Policies
Large-Group Market — Best-Selling Product

	Single	Family
AVERAGE ANNUAL DEDUCTIBLE*	\$1,952	\$3,996
AVERAGE ANNUAL OUT-OF-POCKET LIMIT	\$3,290	\$6,247
AVERAGE LIFETIME MAXIMUM BENEFIT**	\$3.9 million	\$4.1 million
AVERAGE ANNUAL PREMIUM	\$2,796	\$6,963

*Policies generally cover preventive care services before the deductible is reached.

**Companies representing 28 percent of single and 32 percent of family coverage in the large-group market for HSA/HDHPs reported an unlimited lifetime maximum benefit and were not included in this calculation.

⁴ The January 2006 census figure for large-group enrollment in HSA/HDHPs was almost certainly understated by the fact that some responding companies did not distinguish among the individual, small-group, and large-group markets (representing 878,000 covered lives), and others did not distinguish between large and small firms within the group market (247,000 covered lives).

⁵ Kaiser Family Foundation Employer Health Benefits 2006 Annual Survey. (www.kff.org/insurance/7527/upload/7527.pdf)

⁶ AHIP Center for Policy and Research, *Small Group Health Insurance in 2006* (September 2006). (www.ahipresearch.org/pdfs/FINALSmallGroupPaper.pdf)

PREVENTIVE BENEFITS, DISEASE MANAGEMENT, AND CONSUMER TOOLS

Sixty-nine (69) companies, representing a total HSA/HDHP enrollment of 3.6 million, responded to questions about preventive benefits coverage and provision of disease management services offered as part of their HSA-qualified high-deductible health plans.

Sixty-three (63) of these responding companies offered HSA-eligible plans that cover preventive benefits without requiring the enrollee to first satisfy the deductible. Companies responding to the census that offered plans with preventive benefits before the deductible is met tended to be those with relatively large numbers of HSA/HDHP enrollees; these plans represented 99 percent of enrollment in HSA/HDHPs within this subset of respondents.

Eleven (11) of the responding companies reported offering certain categories of prescription drugs as a preventive benefit before the deductible was satisfied. Again, these companies included many of the largest plans in the HSA/HDHP market, representing 60 percent of the 3.6 million people enrolled by this subset of respondents.

Sixty-five (65) companies, representing over 99 percent of individuals enrolled in plans responding to the question, offered disease management benefits for enrollees of HSA-eligible plans. Table 7 summarizes the disease management benefits offered by these plans, by type of benefit.

TABLE 7.
Disease Management Benefits

	Percent of Companies Offering	Percent of Offering Companies Weighted by HSA/HDHP Enrollment
ASTHMA	82%	87%
CANCER	38%	73%
CHRONIC PAIN	25%	43%
CHRONIC OBSTRUCTIVE PULMONARY DISEASE	65%	80%
CONGESTIVE HEART FAILURE	84%	89%
CORONARY ARTERY DISEASE	84%	90%
DEPRESSION	46%	71%
DIABETES	91%	91%
OBESITY	31%	65%
OSTEOPOROSIS	25%	51%
OTHER*	45%	23%

* Other includes conditions such as high-risk pregnancy, chronic or rare conditions, kidney disease, and low-back pain.

Table 8 illustrates the consumer tools available in plans responding to these questions, weighted by the number of HSA/HDHP enrollees. Over 90 percent of HSA/HDHP members had online access to account information; almost all (95 percent) had online access to health education tools; 86 percent had access to quality information about specific hospitals; and approximately 50 percent had access to physician-specific quality information. Eighty-eight (88) percent had access to some health care cost information, and over 70 percent had access to Personal Health Records (PHRs).

TABLE 8.
Consumer Decision-Support Tools

	Percent of Companies Offering	Available Online
PATIENT ACCESS TO HEALTH SAVINGS ACCOUNT INFORMATION (E.G., TO TRACK EXPENDITURES AND VIEW BALANCES)	93%	93%
HEALTH EDUCATION INFORMATION	99%	95%
HOSPITAL-SPECIFIC QUALITY DATA	86%	85%
PHYSICIAN-SPECIFIC QUALITY DATA	50%	49%
OTHER PHYSICIAN-SPECIFIC INFORMATION (E.G., HOSPITAL AFFILIATION, MEDICAL EDUCATION)	97%	97%
HEALTH CARE COST INFORMATION (E.G., NEGOTIATED RATES, DRUG PRICES, PROCEDURES)	88%	88%
PERSONAL HEALTH RECORDS	72%	72%
OTHER*	52%	50%

* Other examples included treatment calculators, clinical pharmacy information/comparison resources, and health plan comparison/selection resources (for use during open enrollment).

HEALTH SAVINGS ACCOUNTS

Twenty-nine (29) companies reported information about the HSAs held by some of their HSA/HDHP enrollees. These respondents reported information on the account characteristics of over 350,000 HSAs.

As of January 2007, 65 percent of these accounts had been in place for less than one year. Eighty-eight (88) percent of accounts in place in 2006 had average annual balances of \$2,500 or less. Four (4) percent had average annual balances over \$5,000.

Table 9 summarizes the length of time the HSAs for which these companies had information had been open prior to January 2007. Table 10 summarizes the average balances in these accounts in 2006.

TABLE 9.

Health Savings Accounts: Average Amount of Time Accounts Were Open Prior to January 2007

6 MONTHS OR LESS	26%
7 TO 12 MONTHS	39%
13 TO 18 MONTHS	24%
MORE THAN 18 MONTHS	11%
TOTAL	100%

Note: Based on responding companies with information about 359,816 HSAs.

TABLE 10.

Health Savings Accounts: Average Account Balances, 2006

\$0	14%
LESS THAN \$1,000	55%
\$1,001 TO \$2,500	19%
\$2,501 TO \$5,000	8%
\$5,001 TO \$10,000	3%
MORE THAN \$10,000	1%
TOTAL	100%

Note: Based on responding companies with information about 356,790 HSAs.

ACKNOWLEDGEMENTS

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