

## Number of HSA Plans Exceeded One Million in March 2005

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### Census of AHIP Members Shows Enrollment in Health Savings Account (HSA) Plans Doubled in Six Months

Established in late 2003 by the Medicare Modernization Act, health savings accounts (HSAs) are designed to give consumers financial incentives to manage their own health expenses. An individual's HSA must be coupled with a high-deductible health plan (HDHP). HSA funds may be used to cover current and future health care costs.

AHIP has embarked on an ongoing census of its members to monitor and report on the emerging HSA/HDHP health insurance market. For this census, AHIP received full membership participation.

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 March 2005, 1,031,000 people were covered by HSA/HDHP products. This is more than double the HSA/HDHP coverage of 438,000 reported by AHIP members in September 2004 (see Table 1).

<b>Table 1. HSA/HDHP Enrollment (Covered Lives)</b>		
	September 2004	March 2005
Individual Market	346,000	556,000
Small-Group Market	79,000	147,000
Large-Group Market	13,000	162,000
Other Group <sup>1</sup>		88,000
Other <sup>2</sup>		77,000
<b>Total</b>	<b>438,000</b>	<b>1,031,000</b>

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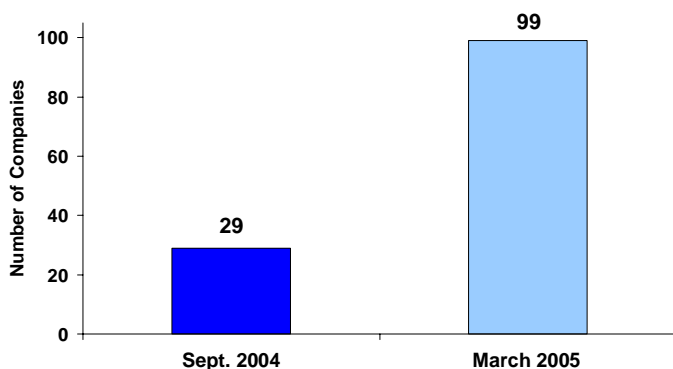
<sup>1</sup> AHIP defines “small group” as businesses with 50 or fewer employees and “large group” as businesses with more than 50 employees. Companies that were able to provide numbers of lives covered by group policies, but whose definitions did not match up with AHIP defined categories for small and large group were placed into a category called “other group.”

<sup>2</sup> The “other” category was necessary to accommodate companies that were able to provide information on the number of HSA/HDHP policies sold and the lives they covered, but were not able to provide a breakdown by market.

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**Figure 1. Number of AHIP Member Companies with Enrollment in HSA/HDHP Products**

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Not only has the number of people purchasing HSA/HDHP products more than doubled in six months, but the number of AHIP member companies offering HSA/HDHP products more than tripled (see Figure 1). In September 2004, 29 AHIP member companies reported enrollment in HSA/HDHP plans; by March 2005, 99 companies reported enrollment in HSA/HDHP plans, and 19 more member companies indicated they were soon entering the market (see Figure 1).

## Individual Market

Member companies reported a total of 556,000 people covered by individually purchased HSA/HDHPs in March 2005.

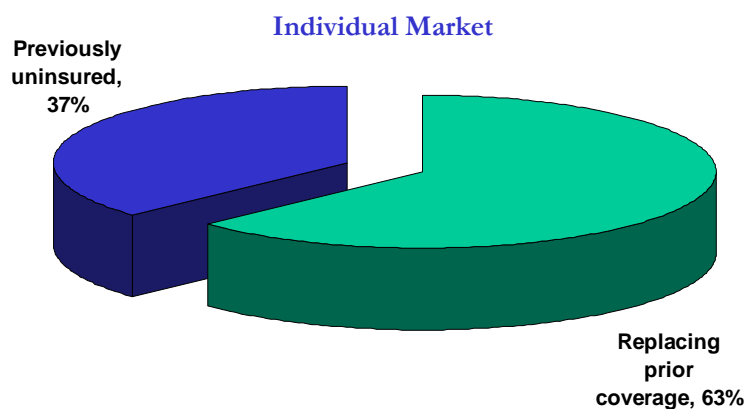
However, this tally may understate the total, because approximately 77,000 covered lives were not categorized by responding companies into either the group or individual market.

Of those companies reporting enrollment in individual HSA/HDHP plans, a subgroup<sup>3</sup> reported that 37 percent of policies were purchased by individuals who previously did not have health insurance (see Figure 2).

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**Figure 2. Percentage of HSA/HDHP Policies Purchased by Previously Uninsured**

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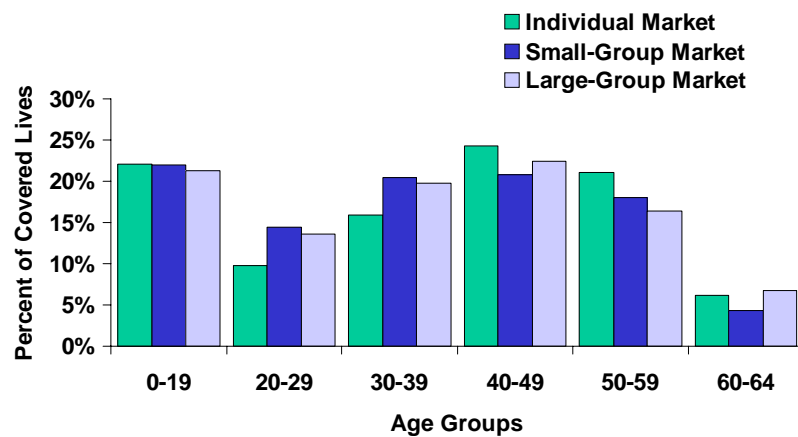
Data as of March 2005

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<sup>3</sup> Companies responding to this question reported HSA/HDHP enrollment of 204,374 lives in the individual market, with 75,618 previously uninsured.

The age distribution of people covered by HSA/HDHPs in the individual market appears to be evenly allocated among major age groups: 22 percent of covered people were younger than 20 years of age; 26 percent were between ages 20 and 39; 24 percent were between ages 40 and 49 years; and 27 percent were between ages 50 and 64 (see Figure 3).

**Figure 3. Age Distribution of People Covered by an HSA/HDHP Product**



Data as of March 2005

Table 2 provides information on average deductible, out-of-pocket limit, and maximum lifetime benefit for the best-selling HSA/HDHP plan sold by companies in the individual market. Table 3 shows the average premium for the best-selling policies in the individual market, by age group.

Table 2. Description of HSA/HDHP Policies Individual Market – Best-Selling Product		
	Single	Family
Average Annual Deductible	\$2,790	\$5,230
Average Annual Out-Of-Pocket Limit	\$2,857	\$5,363
Average Lifetime Maximum Benefit	\$4.0 Million	\$4.3 Million

Table 3. Average Premiums of HSA/HDHP Policies, by Age Group Individual Market – Best-Selling Product					
	Age 0-19	Age 20-29	Age 30-54	Age 55-64	Age 65+
Average Annual Premium, Single Policy	\$919	\$1,204	\$1,894	\$3,306	\$3,577
Average Annual Premium, Family Policy	\$1,872	\$2,772	\$3,550	\$5,518	\$6,780

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## Group Market

Nearly 400,000 people were covered in the group market under HSA/HDHP plans in March 2005. This includes 147,000 in the small-group market (firms with 50 or fewer employees), and 162,000 in the large-group market (firms with 51 or more employees). AHIP member companies reported covering an additional 88,000 people in the group market in March 2005 but did not report the breakdown between small and large groups. These responses were placed into a category called “other group.” Finally, these totals for group coverage are understated because 77,000 covered lives in HSA/HDHP plans were not categorized by group or individual market (but were included in the overall totals).

## Small-Group Market

AHIP members offering HSA/HDHP products in the small-group market for firms with 50 or fewer employees reported enrollment of 147,000 people as of March 2005. Of those companies that could provide information, 27 percent of small-group policies were purchased by employers that previously offered no health care coverage to their workforce (see Figure 4).

These policies covered 38,000 employees and dependents.<sup>4</sup>

The age distribution for covered lives in the small-group market is similar to that seen in the individual market. In the small-group market, 43 percent of people covered by an HSA/HDHP product were age 40 or older.

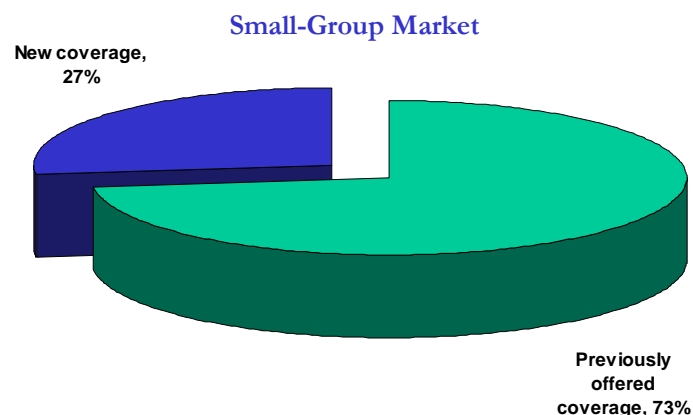
Average deductibles for the best-selling HSA/HDHPs in the small-group market were lower than those in the individual market, averaging \$1,850 for single coverage and \$4,007 for family coverage. The average lifetime maximum benefit for small-group policies was about \$3.5 million (see Table 4).

Premiums averaged \$2,792 for single coverage and \$7,471 for family coverage. These premiums are considerably lower than premiums reported from surveys of all employer-based coverage. For

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**Figure 4. Percentage of New HSA/HDHP Policies Purchased by Small Employers**

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Data as of March 2005

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<sup>4</sup> Companies responding to this question reported that 3,675 new small-groups, that previously offered no health insurance coverage, offered HSA/HDHP policies in March 2005 covering 37,868 lives.

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example, the average premium was \$9,950 in 2004 for employer-sponsored family policies, according to the Kaiser Family Foundation and the Hospital Research and Education Trust.<sup>5</sup>

<b>Table 4. Description of HSA/HDHP Policies Small-Group Market – Best-Selling Product</b>		
	<b>Single</b>	<b>Family</b>
Average Annual Deductible	\$1,850	\$4,007
Average Annual Out-of-Pocket Limit	\$3,247	\$6,639
Average Lifetime Maximum Benefit	\$3.4 Million	\$3.5 Million
Average Annual Premium	\$2,792	\$7,471

## Large-Group Policies

Information on the large-group market -- defined as firms having more than 50 employees -- was quite limited in September 2004, as only a few member companies were able to provide data. The lack of available data was attributed to the fact that HSAs were established in December 2003 -- too late to be incorporated into most companies' open enrollment policies for employees' coverage in 2004 -- and implementing guidance was only completed in mid-2004. According to the census conducted in September 2004, large-group policies covered approximately 13,000 people.

As of March 2005, large-group coverage had increased to 162,000 lives. As noted previously, this figure is understated by the fact that some responding AHIP member firms did not distinguish between the individual, small-group, or large-group market (representing 77,000 covered lives), and others did not distinguish between large and small firms within the group market (88,000 covered lives).

Table 5 provides the average annual deductible, out-of-pocket limit, and lifetime maximum benefit for the best-selling single and family HSA/HDHP policies in the large-group market.

<b>Table 5. Description of HSA/HDHP Policies Large-Group Market – Best-Selling Product</b>		
	<b>Single</b>	<b>Family</b>
Average Annual Deductible	\$1,607	\$3,000
Average Annual Out-of-Pocket Limit	\$3,190	\$6,350
Average Lifetime Maximum Benefit	\$2.1 Million	\$2.1 Million
Average Annual Premium	\$3,607	\$6,839

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<sup>5</sup> Kaiser Family Foundation Employer Health Benefits 2004 Annual Survey.  
<<http://www.kff.org/insurance/7148/index.cfm>>

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This census focused on HSA products only and did not take into account HRA plans, which have been available since 2002 and have significant enrollment in the large-group market. For example, one large AHIP member company noted that while it had 44,000 total covered lives in HSA/HDHP plans in March (in all markets), it had 330,000 covered lives enrolled in HRA plans in the large-group market.

## Looking Ahead

Nineteen companies responded to the census stating they planned to offer HSA/HDHP coverage in the individual and employer markets in the coming year. As the market matures over the next six to twelve months and more health insurance plans introduce HSA/HDHP products, additional data will become available through AHIP's Center for Policy and Research, [www.ahipresearch.org](http://www.ahipresearch.org).

## Additional Information

This census and report were compiled and written by Hannah Yoo and Teresa Chovan of AHIP's Center for Policy and Research.

For further information on HSAs, visit [www.HSADecisions.org](http://www.HSADecisions.org), AHIP's new clearinghouse of information for consumers and small businesses, cosponsored with the U.S. Small Business Administration.



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