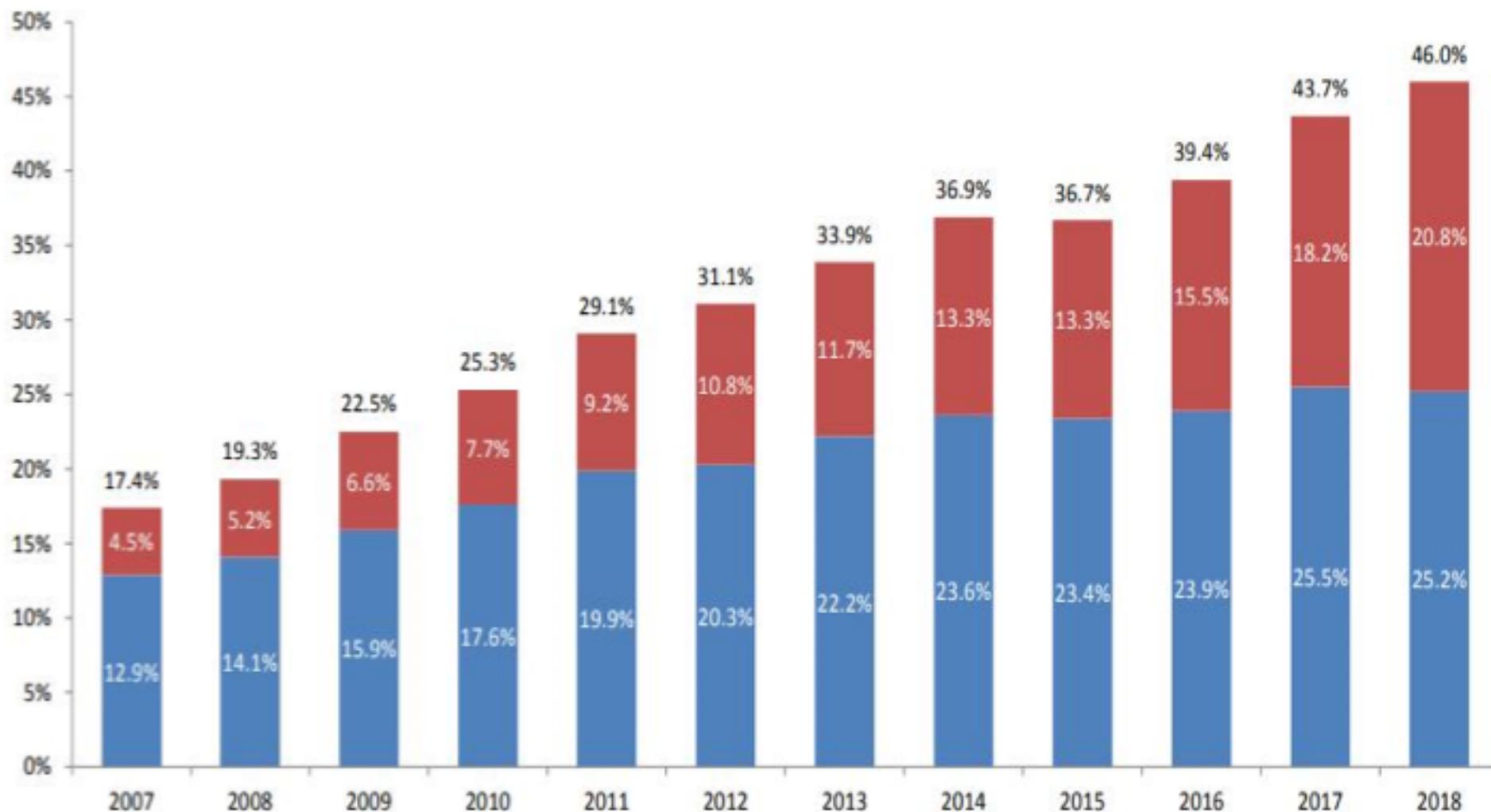


Uptake and federal budgetary impact of a policy that permits Health Savings Account-eligible High Deductible Health Plans (HSA-HDHPs) the flexibility to allow pre-deductible coverage of drugs and services to manage chronic diseases

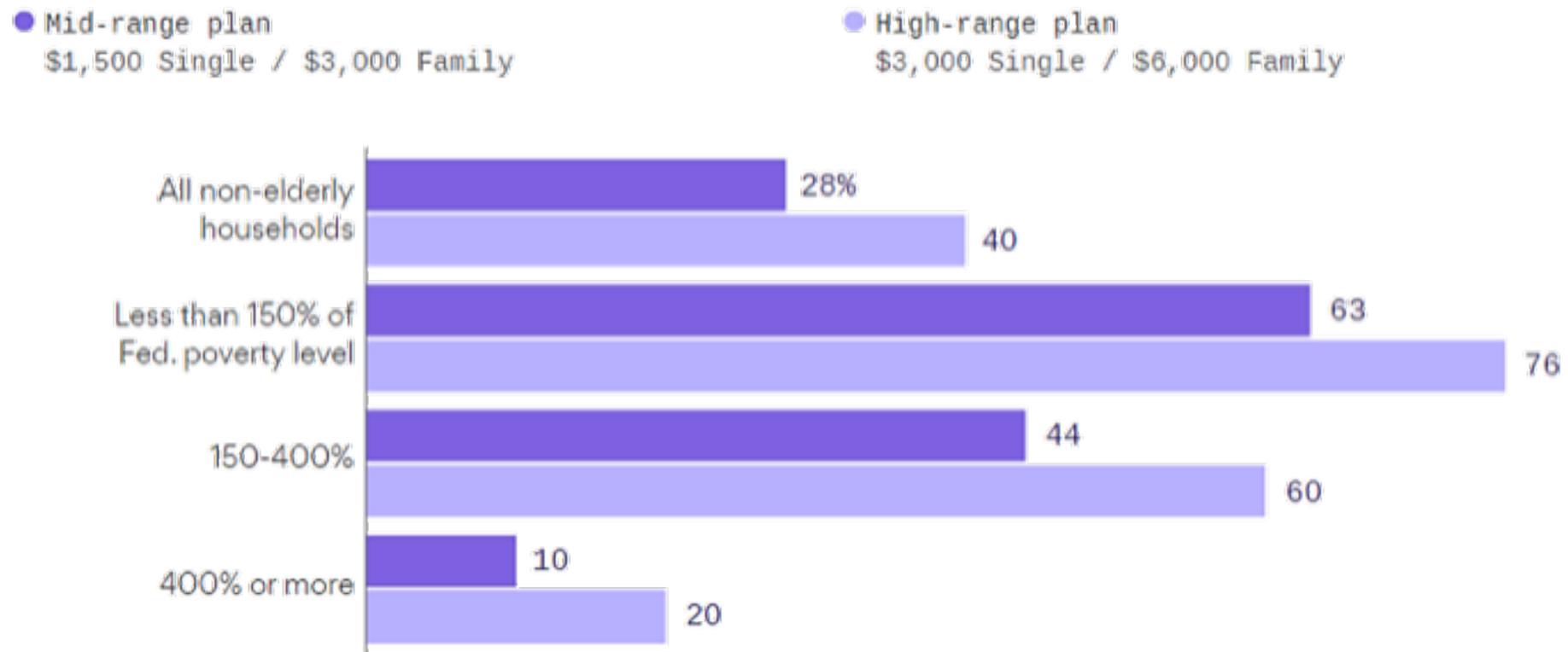
Percentage of Persons With Private Health Insurance Under Age 65 Enrolled in a High-Deductible Health Plan or in a Consumer-Directed Health Plan, 2007–2018

■ HDHP (no HSA or HRA) ■ CDHP (HDHP with HSA or HRA)



A Significant Number of Households Do NOT Have Liquid Assets to Cover Their Plan Deductible

Among people with private health insurance



Reproduced from [Kaiser Family Foundation](#) analysis of the 2016 Survey of Consumer Finance; Note: Liquid assets include the sum of checking and saving accounts, money market accounts, certificates of deposit, savings bonds, non-retirement mutual funds, stocks and bonds. Chart: Axios Visuals

Motivation for HSA-HDHP Reform

- **HSA-HDHP enrollees are foregoing chronic disease care**
- **Over half of those who purchase an HDHP regret the decision in hindsight**
- **Consumers demand more plan options to better meet their clinical and financial needs; especially one that lowers out of pocket drug costs**

High-Deductible Health Plans (HDHPs) with an Health Savings Account (HSA) can be improved

- Regulations defining HSA-HDHPs *restrict plan flexibility to cover services used to treat an existing injury, illness or condition on a pre-deductible basis (e.g., drugs and tests to manage a chronic disease).*
- Pre-deductible coverage would improve the health of those with chronic conditions, reduce financial risk for low-income individuals and families, and reduce the risk of downstream medical spending; all of which could *mitigate long-term health care cost growth*

The availability of an HSA-HDHP with pre-deductible coverage of chronic disease services (HDHP+) would result in new consumer choices.

However, the uptake and federal budgetary impact of allowing HDHP+) is unknown.

This Study Aims to Estimate:

1. The uptake of HDHP+ in the employer-sponsored and individual insurance market
2. The federal budgetary impact of HDHP+ availability

Uptake – New HDHP+ leads to *Plan Migration*

1. ***“Buy up”*** from leaner, traditional HDHP
2. ***“Buy down”*** from more generous Preferred Provider Organization (PPO) plans

Budget hypothesis: savings from enrollees migrating from PPO plans to HDHP+ (“buying down”) would outweigh the loss of tax revenue from enrollees migrating from cheaper HDHPs to HDHP+ (“buying up”), even with increases in tax-advantaged HSA contributions, resulting in net savings for the government.

Scenarios Evaluating Impact of HDHP+ Availability

4 scenarios using a base HDHP+ plan with 7% higher actuarial value was modeled:

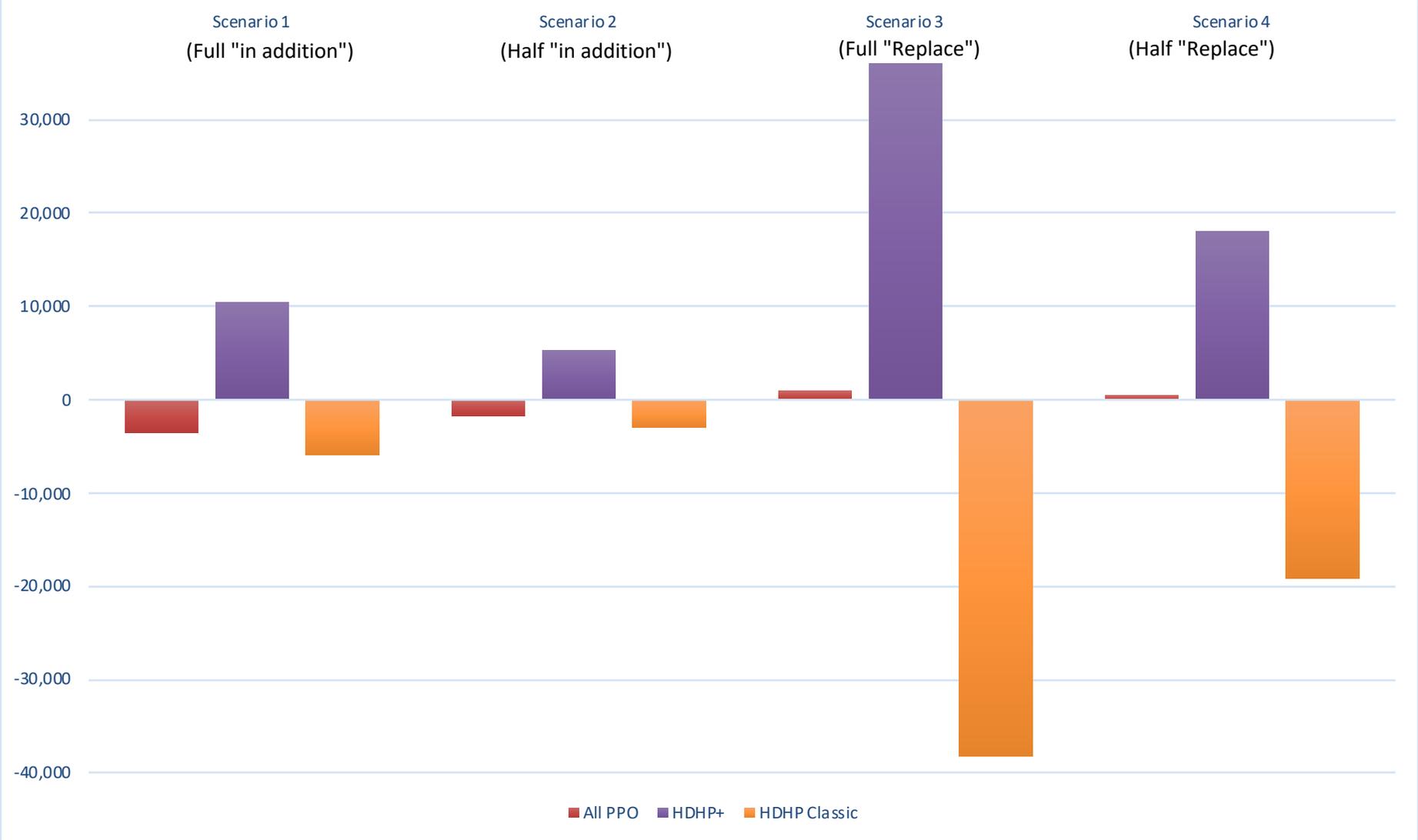
“Addition” Scenarios:

- 1:** All firms that currently offer an HSA-HDHP add a HDHP+ to existing plan options
- 2:** Half of firms that offer an HSA-HDHP add a HDHP+

“Replace” Scenarios:

- 3:** All firms that currently offer an HSA-HDHP replace it with an HDHP+
- 4:** Half of firms that offer an HSA-HDHP replace it with an HDHP+

Enrollment in 2029 Across Employer Scenarios (change in thousands of people)



The federal budgetary impact of enhanced HSA-HDHP (HDHP+) uptake relies on two factors :

- 1. HSA contributions***
- 2. Plan migration***

The federal budgetary impact of enhanced HSA-HDHP (HDHP+) uptake relies on two factors :

- ***HSA contributions*** – a more generous HDHP plan could create an incentive for more people to have an HSA or existing enrollees to increase their HSA contributions, both of which would reduce tax revenue (*cost to gov't*)

Budgetary Impact of Plan Migration

1. *“Buy up” from leaner, traditional HDHP*

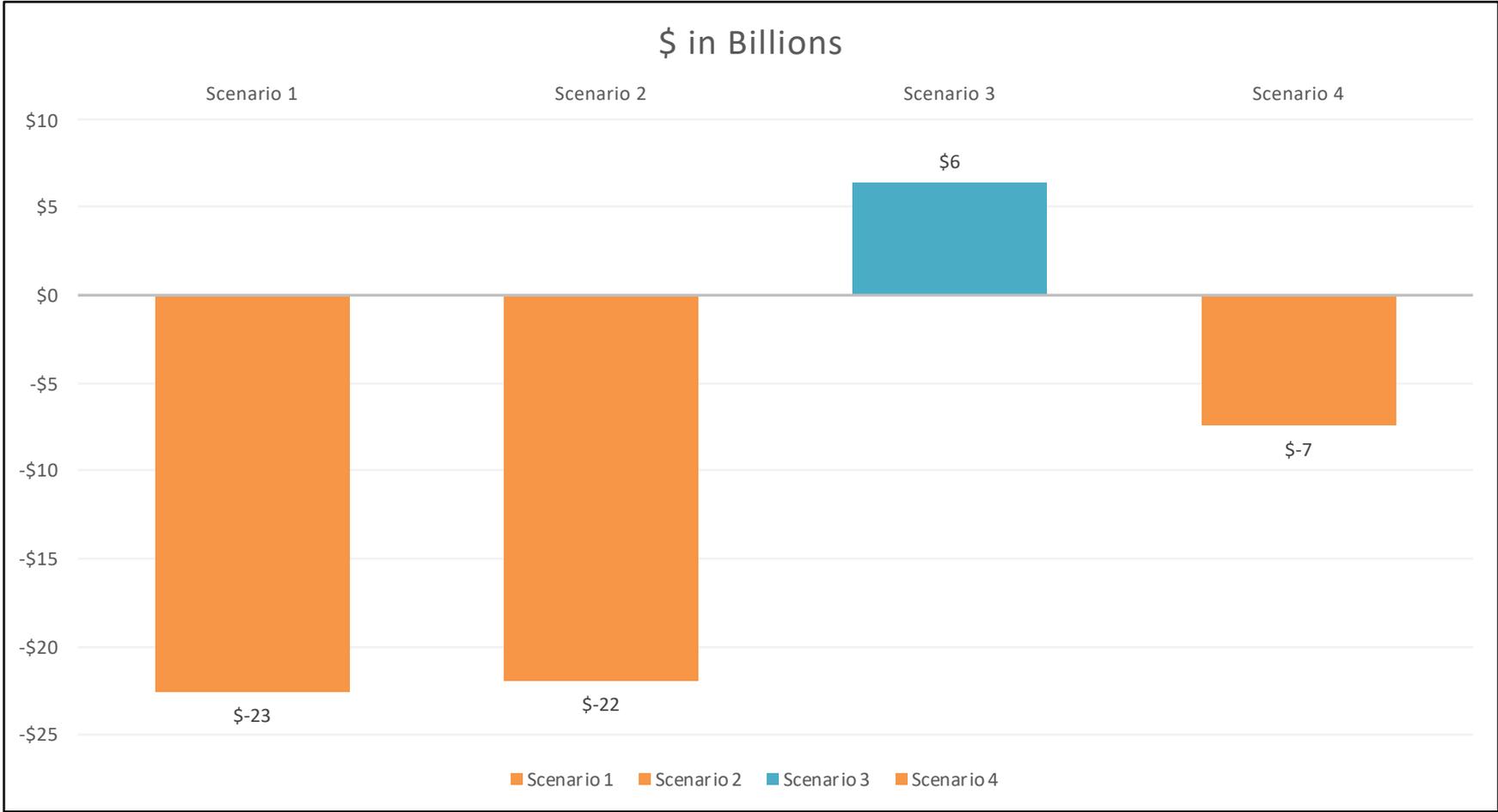
- A more generous HDHP+ will decrease federal revenues. HDHP+ premiums are higher than traditional HDHPs and thus the pre-tax health benefit exclusion will increase - *cost to gov't*

2. *“Buy down” from more generous Preferred Provider Organization (PPO) plans.*

- Choosing an HDHP+ over a higher cost PPO would increase federal revenues as pre-tax health benefits would decrease (*saver to gov't*)

\$ Impact of “Buying down” > “Buying up”

The Federal Budgetary Impact HDHP+



HDHP+:

Improves Health and Lowers Federal Spending

- Allowing pre-deductible coverage for services used to treat chronic conditions would be a popular plan option and could improve the lives of millions with chronic conditions
- *The cost to the federal government of expanding the existing safe harbor to include chronic disease prevention is likely a saver*