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Association for Community Affiliated Plans 2017 CEO Summit

Health Savings Accounts for Low-Income Populations

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Health Savings Accounts (HSAs): The Basics

- Tax-preferred savings accounts used to pay qualified medical expenses
- Must pair with a high-deductible health plan (HDHP)
 - Min deductible (2017): \$1,300 (self) // \$2,600 (family)
 - Max OOP (2017): \$6,550 // \$13,100
 - No benefits (except preventive care) before deductible
- Funded by individual or employer
 - Contribution limit (2017): \$3,400 // \$6,750
 - Additional contributions allowed for those age 55+



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HSAs: The Basics

- Triple tax benefits
 - Individual contributions are tax-deductible
 - Employer contributions aren't income
 - Distributions for qualified medical expenses are tax-exempt
 - Account funds may be invested and grow tax-free
- Basic trade-off:
 - Lower premium and tax advantages
 - High deductible



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HSAs: Rationales For . . .

- Give consumers more control / responsibility for health care spending
- Reduce costs (through better choices)
- Medicaid context:
 - Reduce costs to state
 - Increase enrollee exposure to insurance model more similar to private coverage



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... Rationales Against

- More responsibility may not equal smarter decision-making
 - Consumers lack information on price, quality
 - Reductions in needed care
- Distributional effects
 - Tax breaks more advantageous for those with high incomes
 - Those with lower incomes: lower capacity to fund accounts at sufficient levels



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HSA-Qualified Plans: Group Market

- Availability (2016): among firms offering health benefits, 24% offer an HSA-qualified HDHP
 - Up from 6% in 2006
 - Large employers (200+ employees) nearly twice as likely to offer such plans as small employers
- Enrollment (2016): 19% of covered workers enrolled in an HSA-qualified HDHP
 - Just 2% in 2006; 6% in 2010
 - Take-up among workers at small employers is similar to those at large firms
- Deductibles are significantly higher, premiums significantly lower, compared to non-HDHP plans



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Source: Kaiser Family Foundation and Health
Research & Educational Trust, *Employer
Health Benefits 2016 Annual Survey*.

HSA-Qualified Plans: Availability in the ACA Marketplaces

- Some were concerned that ACA requirements would squeeze HSAs. . . . Has not happened.
- 2014: 98% of uninsured had access to 1+ HSA-qualified plan
 - HSA-qualified plans constituted 25% of marketplace offerings
- No evidence of significant contraction since



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Source: Howard & Feyman, *Health Savings Accounts Under the Affordable Care Act*, Manhattan Institute, 2014.

HSA Enrollment and Account Data

- About 20.2 million HDHP/HSA enrollees (Jan. 2016)
 - Enrollment has doubled since 2010
 - 1.9 million in individual market (ACA-compliant individual market is roughly 18 million)
 - 13.9 million in large group market
- Enrollment and account funding driven by those with high incomes
- Total assets held: \$41 billion
 - Roughly 16-24% of accounts are unfunded



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Sources: AHIP, 2016 Survey of Health Savings Account – High Deductible Health Plans.

Devenir Research, 2016 Year-End HSA Market Statistics & Trends.

HSAs and Medicaid

- Arkansas Works
- Healthy Indiana Plan
- Healthy Michigan Plan



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HSA-Qualified Plans, Cost, and Care Utilization

- HDHPs reduce costs by reducing care utilization
 - Studies of HDHPs echo broader research on effects of cost-sharing (e.g., RAND HIE)
 - Some evidence of multi-year cost savings
- Reductions in unnecessary and necessary care
 - Including among those with chronic conditions, lower incomes
 - Decreased medication adherence
 - Reduced preventive care use (even though pre-deductible)
- Increased cost-sharing is financially burdensome for those with chronic conditions, lower incomes
- Little evidence that cost reductions driven by price shopping, substitution



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Looking Forward

- HSAs on an upward trajectory
- Federal law changes on the horizon
- Medicaid context, similarities and differences

“There is currently little evidence on whether states that have implemented HSAs are achieving their goal of encouraging personal responsibility while reducing Medicaid program costs.”

Buntin, Graves, and Viverette, *Developing and Implementing Health Savings Accounts in Medicaid: Lessons from Pioneering States*, Vanderbilt University, 2017.



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Thank you!

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