

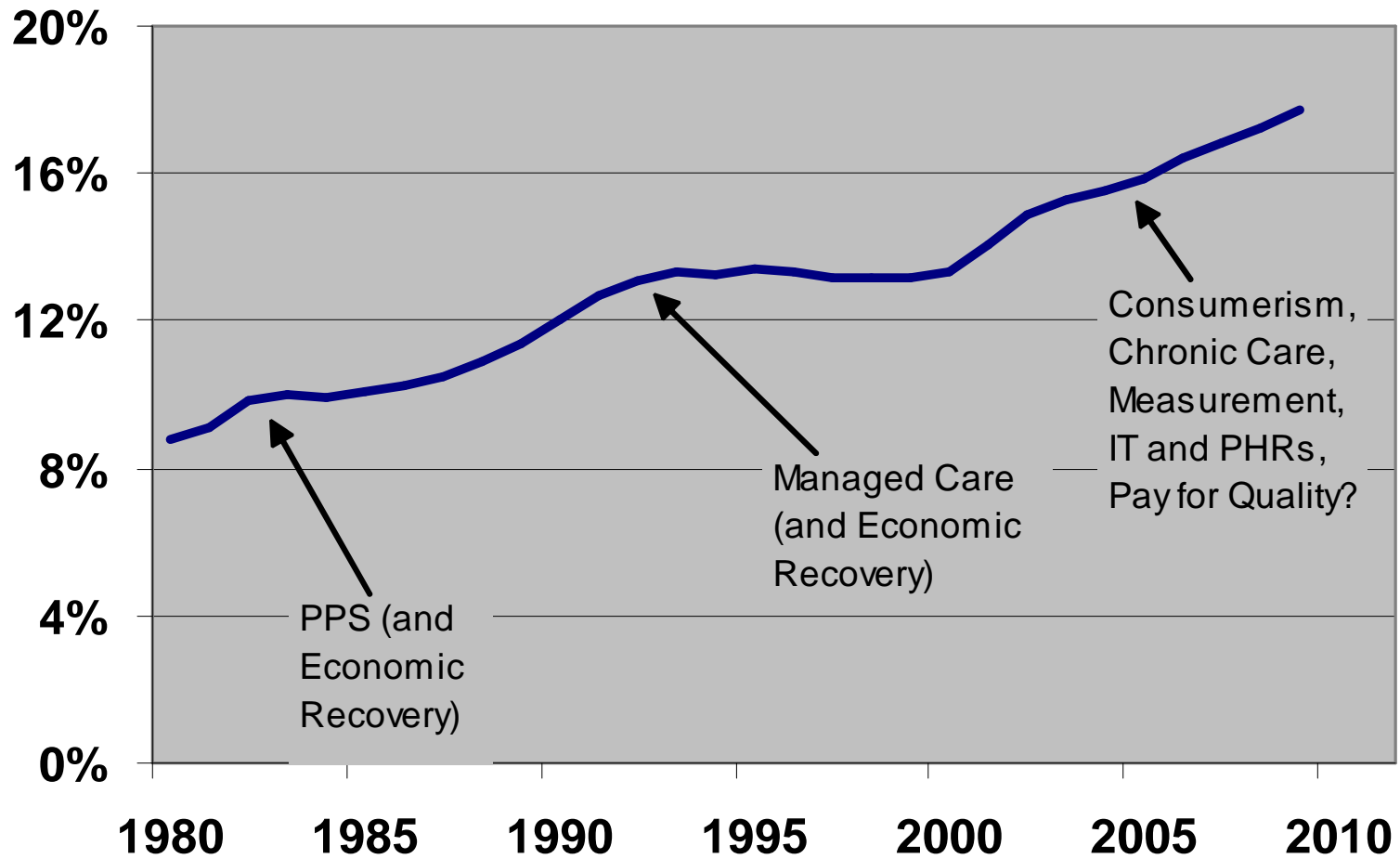


Some Preliminary Data on Consumer-Directed Health Insurance

Jeff Lemieux

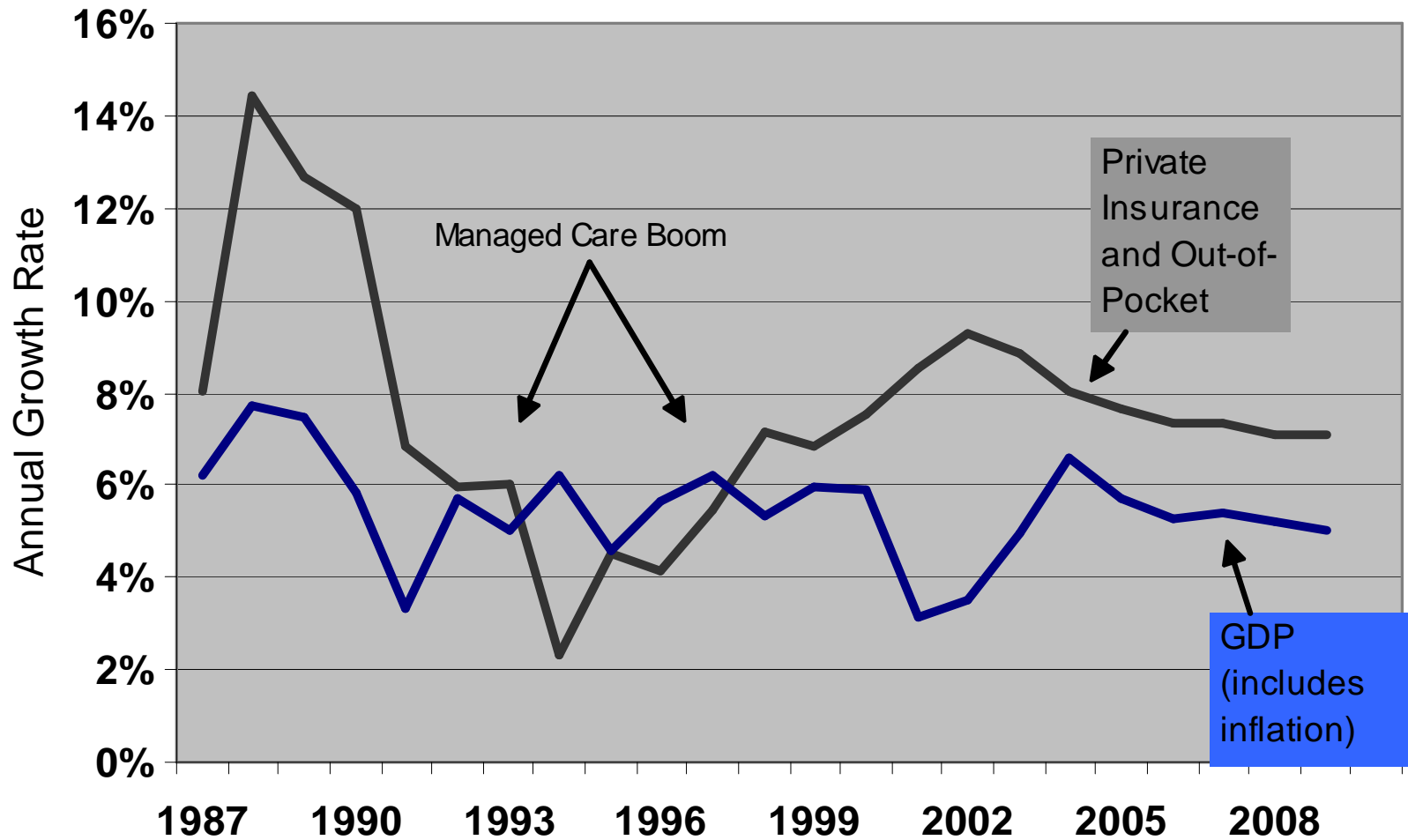
Center for Policy and Research
America's Health Insurance Plans

U.S. Health Spending as a Percent of GDP



CMS Jan 2005 (2003) extrapolated to 2009 using CBO etc.

Private Health Insurance and Out-of-Pocket Spending vs. GDP



Consumerism Theories

- *Early 1990s*: Tiered Premiums
 - Managed Competition, Premium Support, Defined Contribution
- *Late 1990s*: Tiered Providers
 - In-Network/Out-of-Network
- *Early 2000s*: Tiered Products (especially Rx)
- *Mid-2000s*: Accounts with High Deductibles

- *Late 2000s*: Hybrid Products?
 - Widespread Use of Accounts, some with High Deductibles; Tiered Premiums, Providers, Products; Networks; Managed Chronic Care; DM v2.0; PHRs and Self-Care.

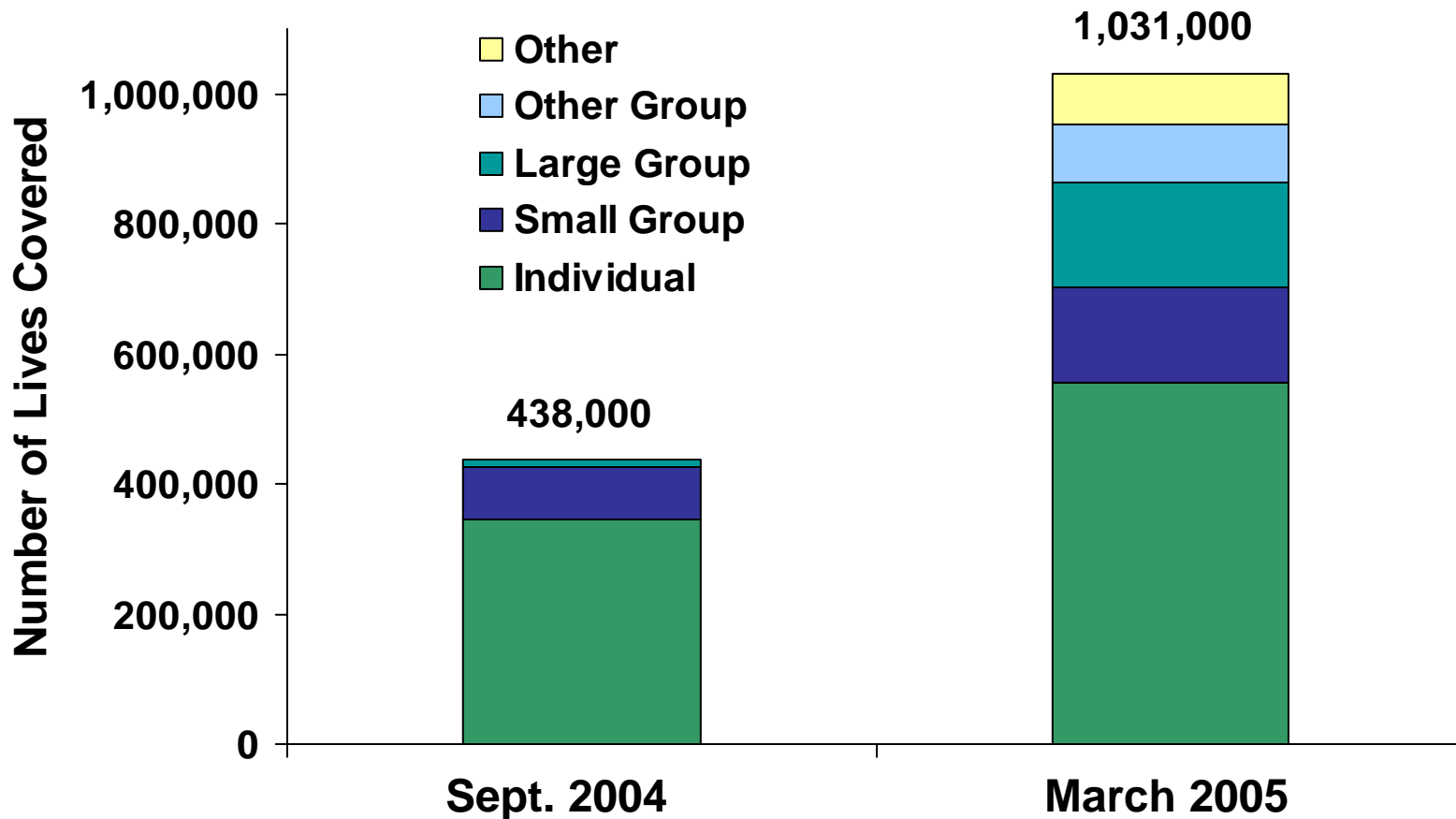
People Covered by an HSA Plan March 2005

| | Total Covered Lives |
|--------------------------------|--------------------------------|
| Individual Market | 556,000 |
| Small-Group Market | 147,000 |
| Large-Group Market | 162,000 |
| Other Group¹ | 88,000 |
| Other² | 77,000 |
| Total | 1,031,000 |

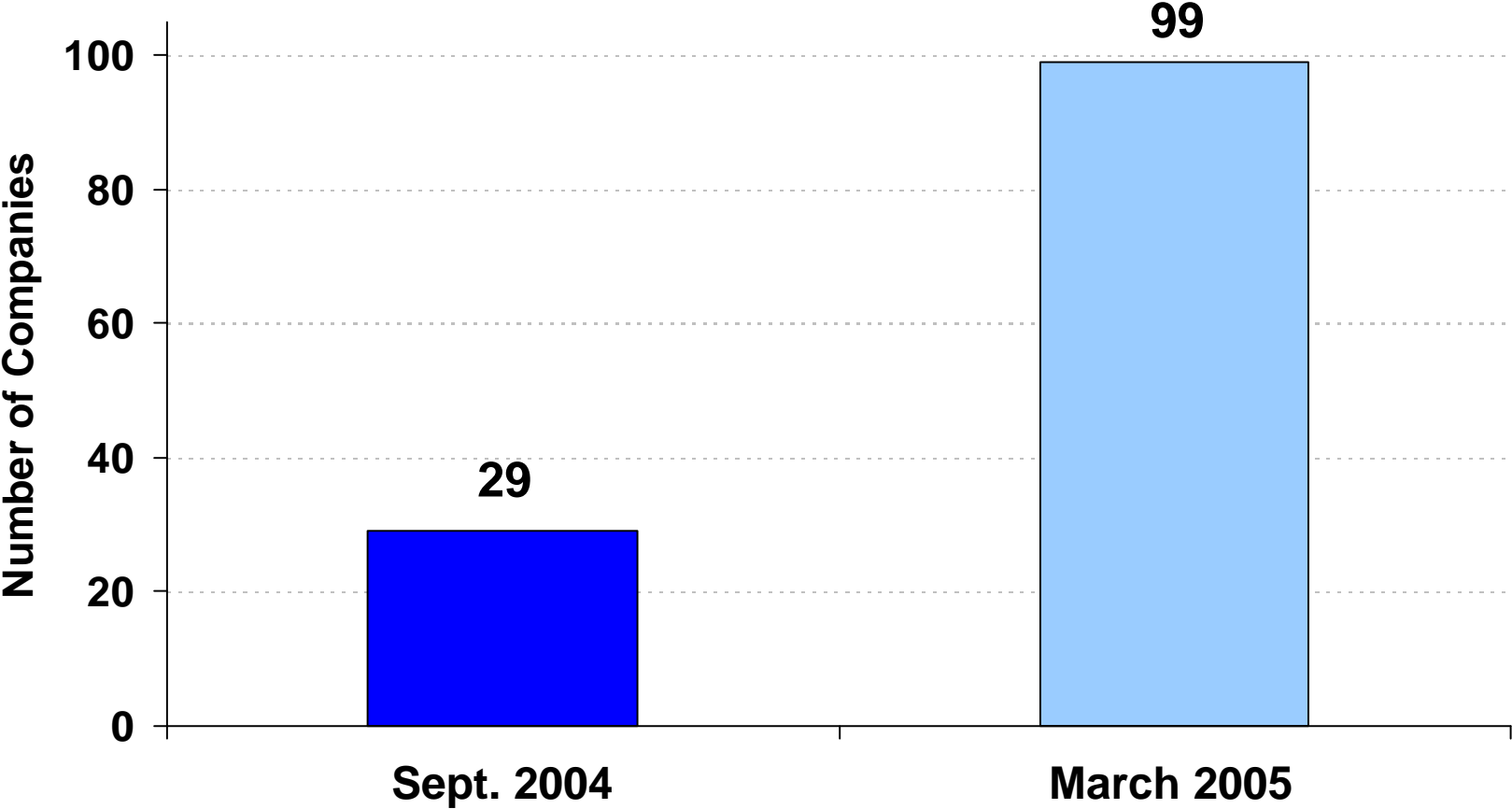
[1] AHIP defines "small group" as businesses with 50 or fewer employees and "large group" as businesses with more than 50 employees. Companies that were able to provide numbers of lives covered by group policies, but whose definitions did not match up with AHIP defined categories for small and large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

[2] 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.

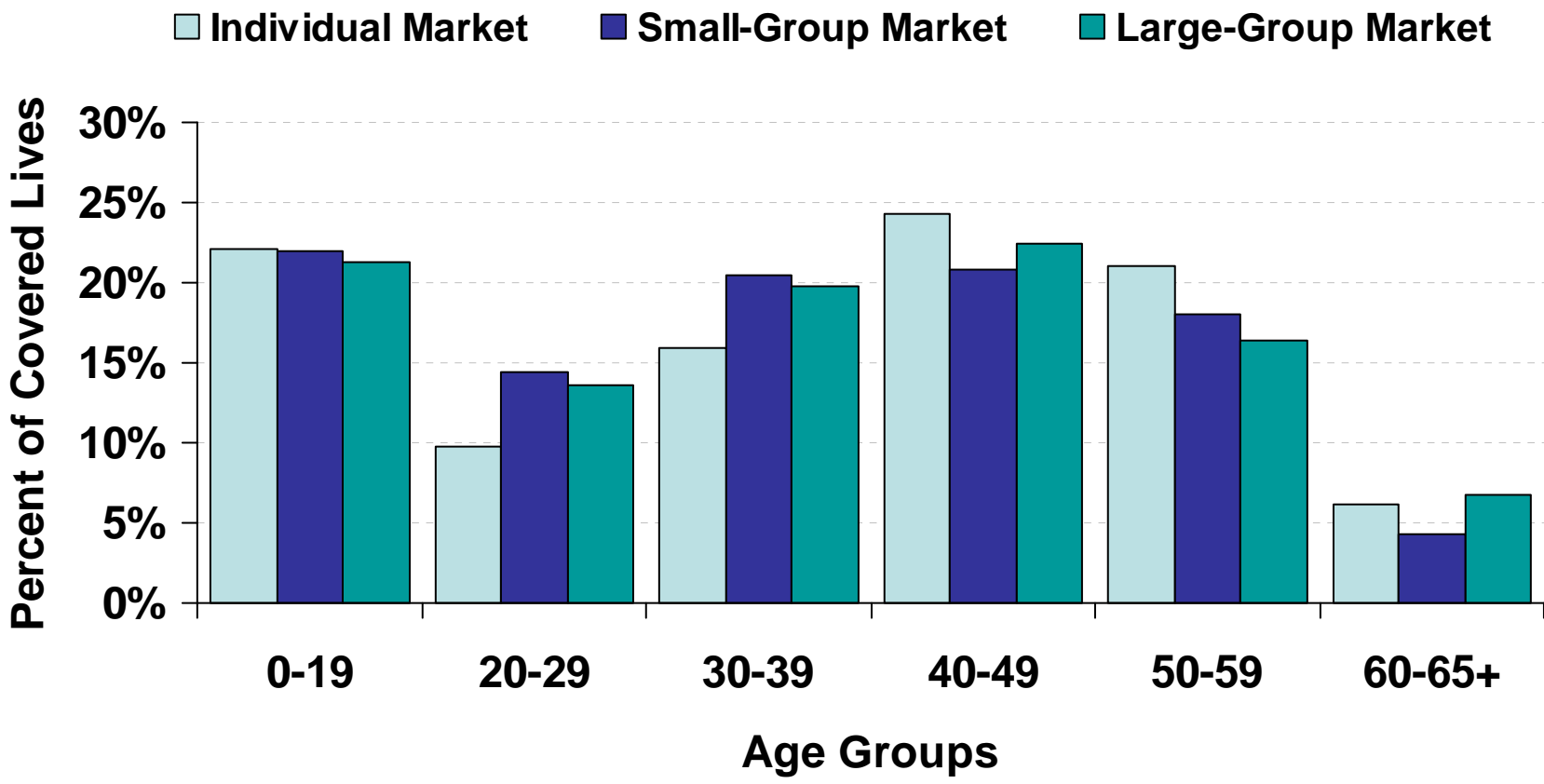
Growth of HSA/HDHP Participation from September 2004 to March 2005



Number of AHIP Member Companies Reporting Enrollment in an HSA/HDHP



Age Distribution of People Covered by an HSA/HDHP Product



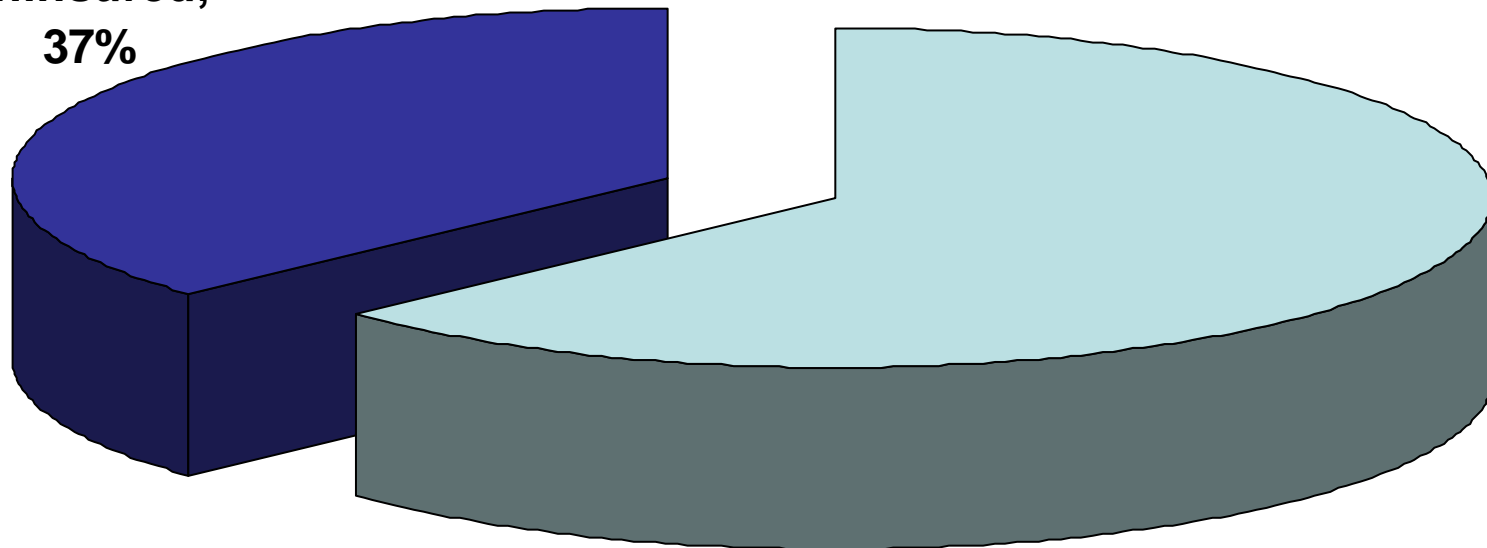
Data as of March 2005

Percentage of HSA/HDHP Policies Purchased by Previously Uninsured³



Individual Market

Previously
uninsured,
37%



Replacing
prior
coverage, 63%

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

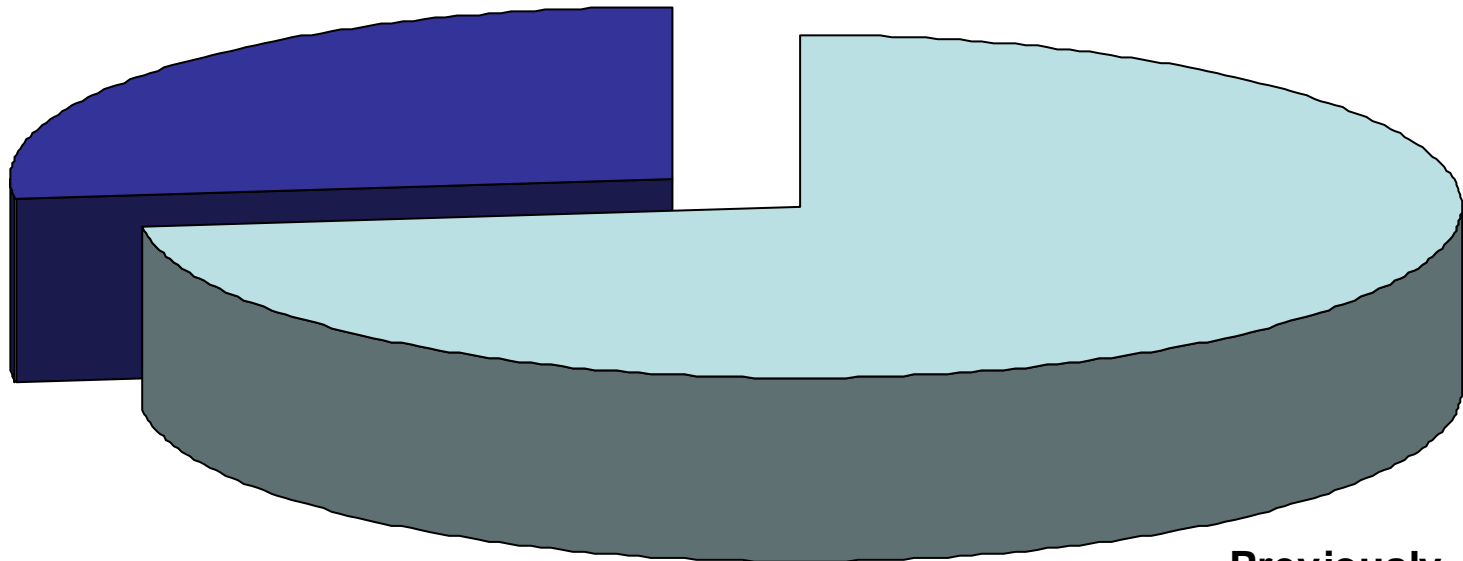
Data as of March 2005

Percent of New HSA/HDHP Policies Purchased by Small Employers⁴



Small-Group Market

New coverage,
27%



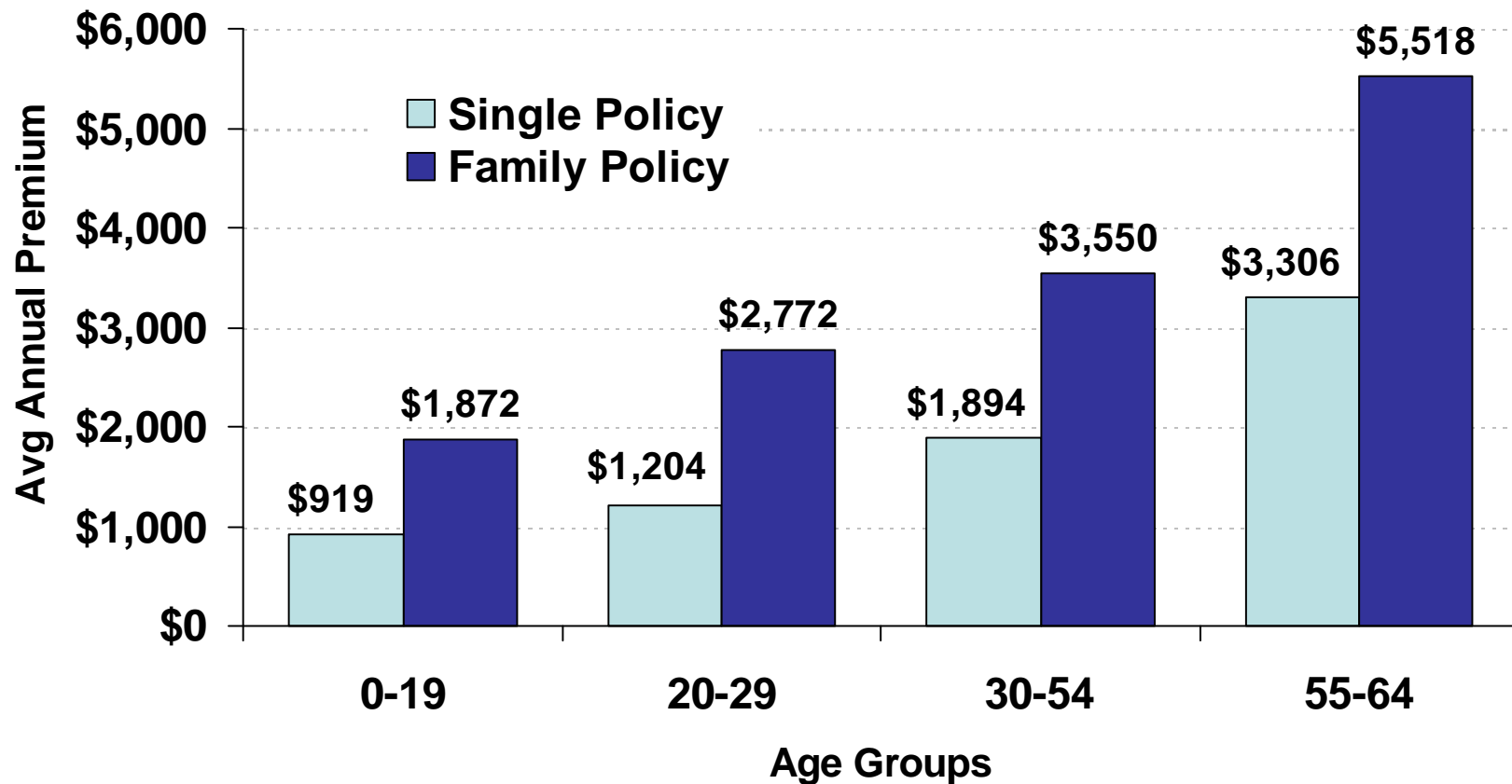
Previously
offered
coverage, 73%

[4] Companies responding to this question reported HSA/HDHP enrollment in 3,675 new small-groups (which previously offered no health insurance coverage), covering 37,868 lives.

Data as of March 2005

Average Annual Premiums for HSA/HDHP Products, by Age Group

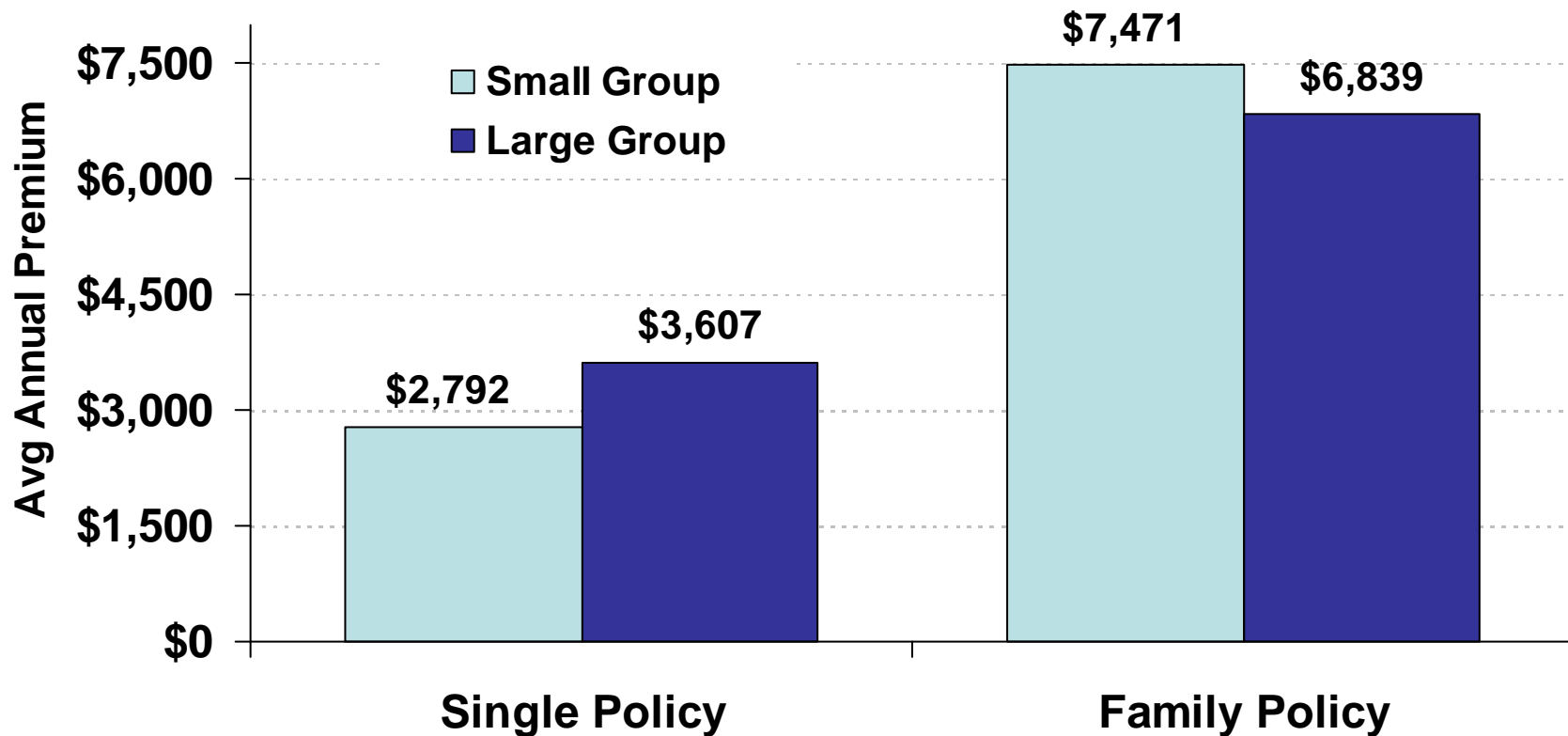
Individual Market – Best-Selling Product



Data as of March 2005

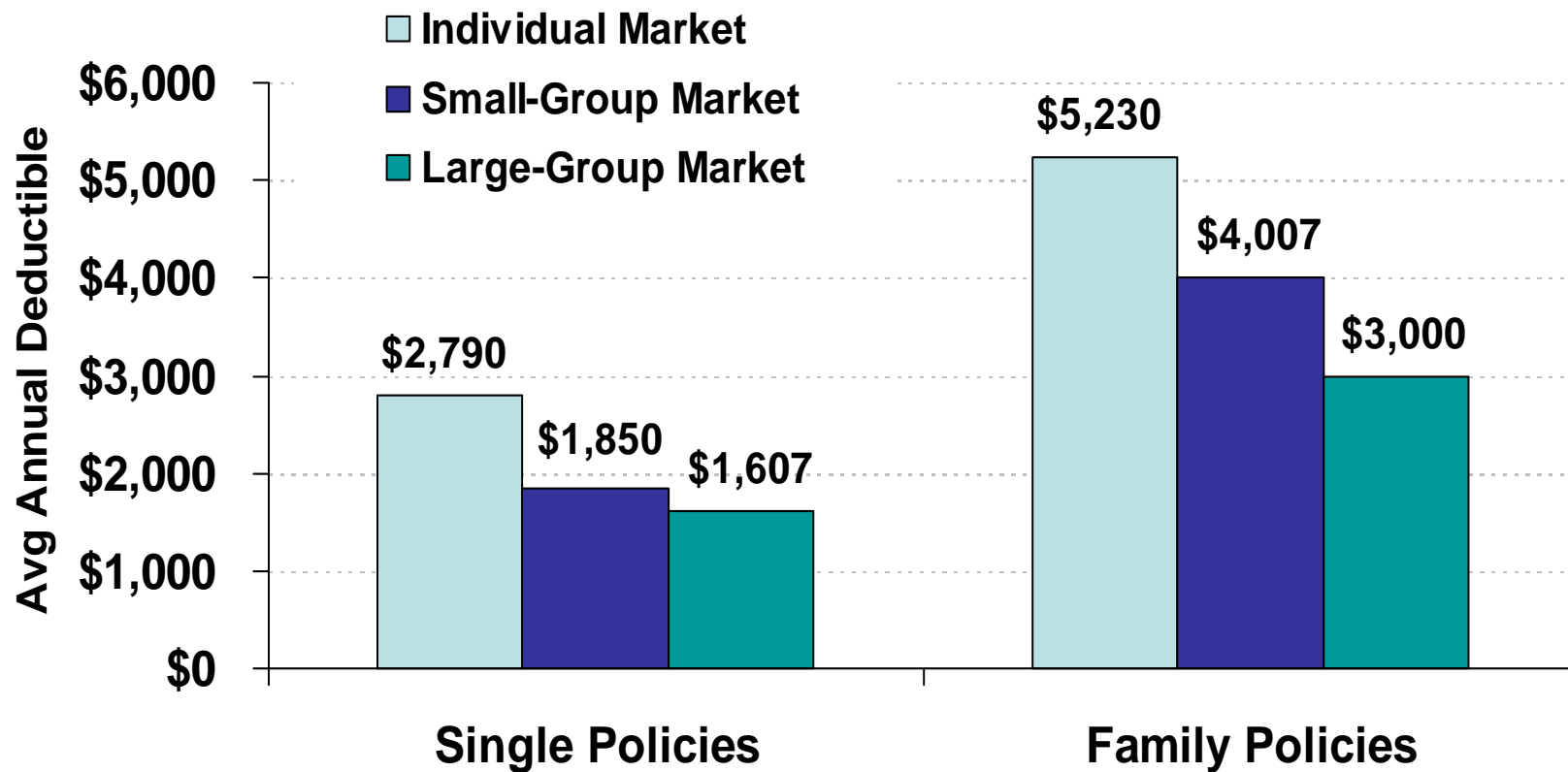
Average Annual Premiums HSA/HDHP Plans, Employer Market

Small and Large-Group – Best-Selling Products



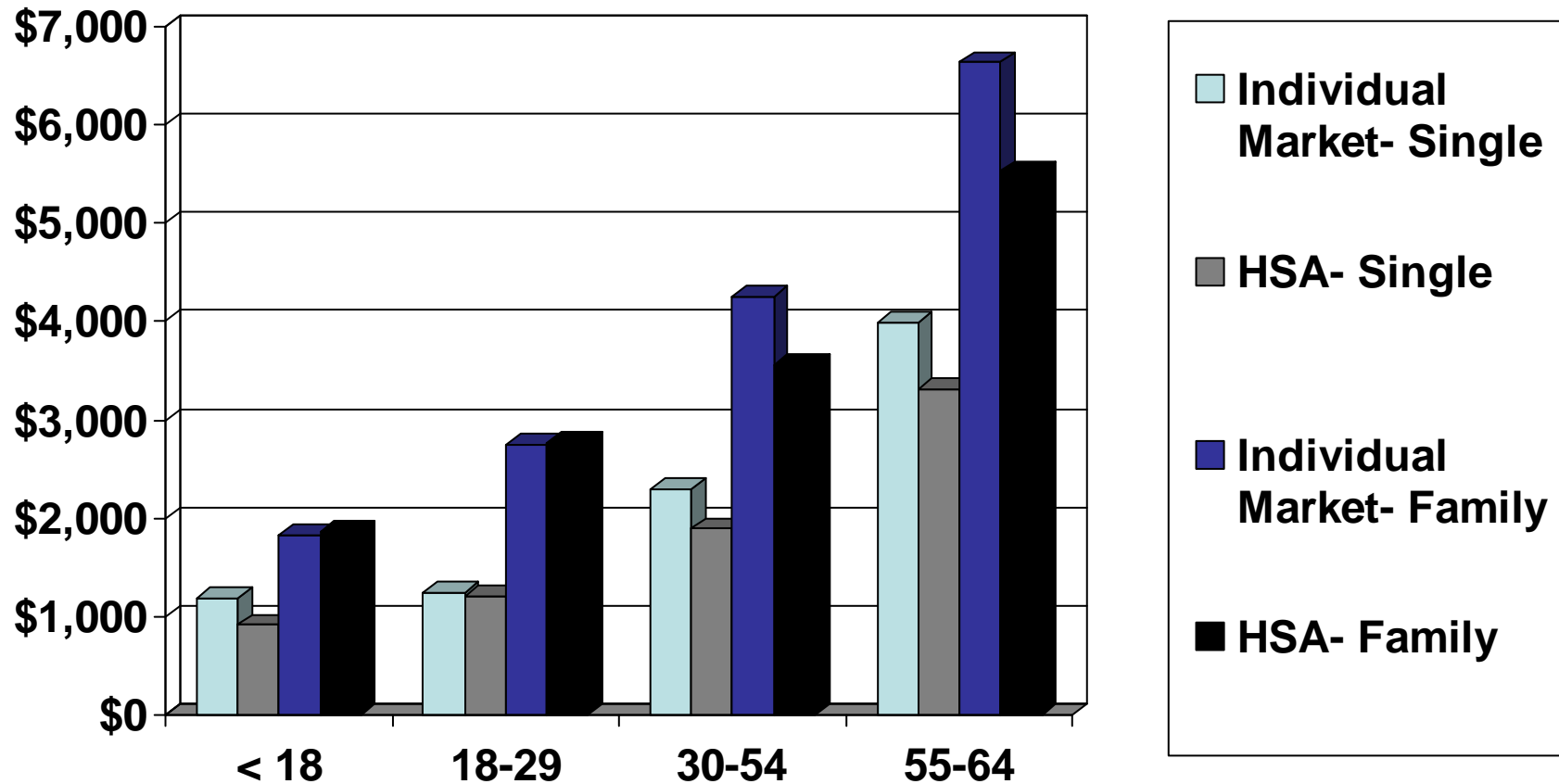
Data as of March 2005

Average Annual Deductible Best-Selling HSA/HDHP Product



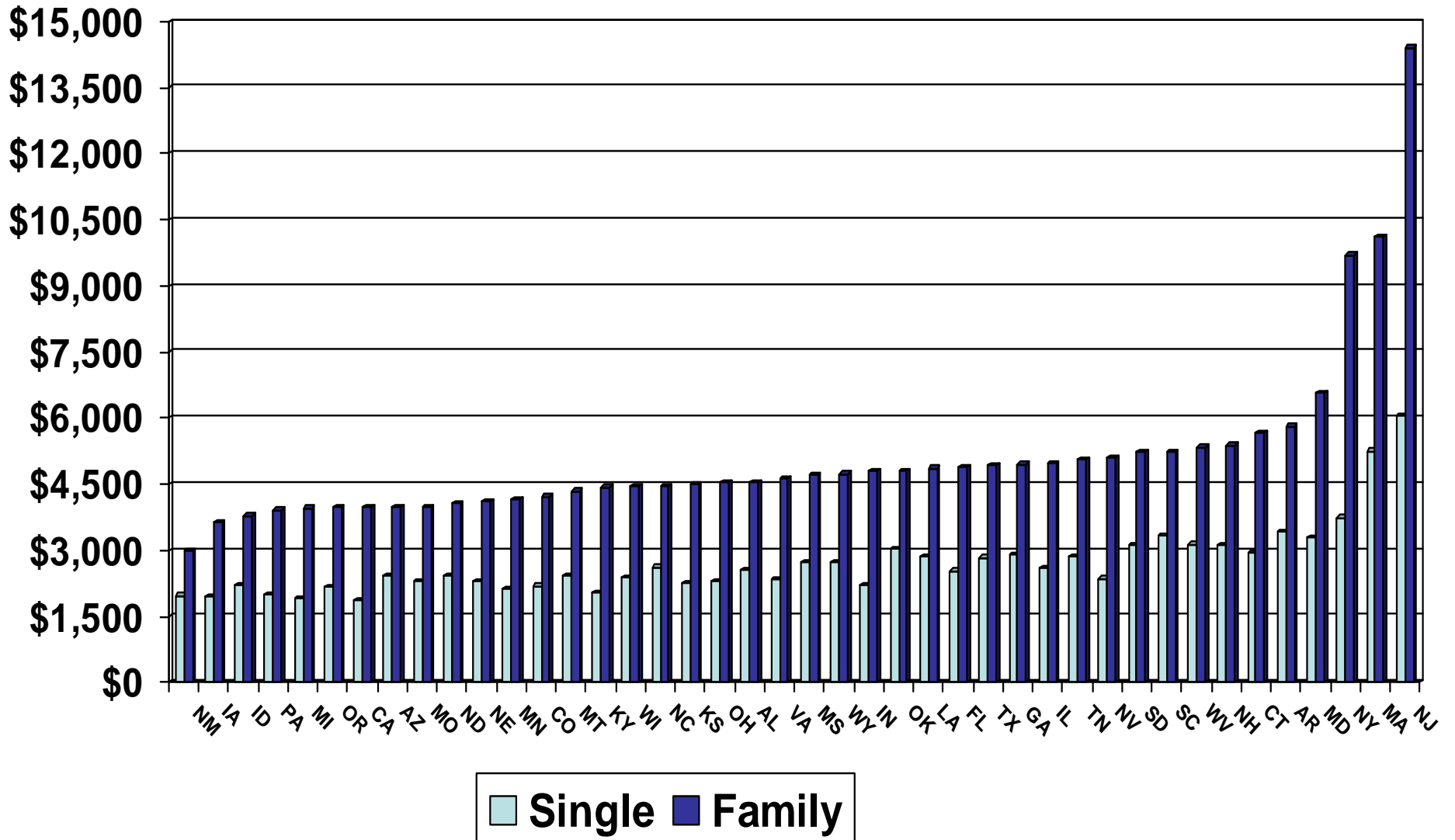
Data as of March 2005

Annual Premiums – Individual Market Average vs. HSA (Individual)



Sources: AHIP HSA Census (March 2005) and Individual Market Survey (2004, forthcoming).

Individual Health Insurance -- Average Premiums by State



Source: 2004 AHIP Individual Insurance Survey (forthcoming).

McKinsey Study (June 2005)



Five Full-Replacement CDC Plans (mostly HRAs)

- Increased and persistent price sensitivity
- More consumer engagement in managing care
- More interest in wellness, prevention

- Consumers need more information on prices
- Nobody likes benefits cuts, or, possibly, not having choices

Larger Political Trend: More Collaboration, Less Confrontation

- Value, Consumerism, Public-Private Partnerships
- IT and PHRs, Tech Evaluation and Surveillance
 - Measurement, Outcomes, Effectiveness and Pay for Quality
 - Medicaid LTC Partnerships, Cash and Counseling, Managed Care for Disabled
 - Medicare Chronic Care, DM, P4P
 - Legal and Regulatory Reforms and Streamlining
 - Still some Thirty Years' War Holdouts...



Assimilate Private Health Care Into Government Realm



Need Strategy on Health to Keep Government Small



Evaluate Old Warriors' Claims Cautiously

- Inaccurate or Misleading “Sky is Falling” Claims
 - Example: Bankruptcy Junk Science
- Unwarranted Utopianism
 - Example: Accounts will Transform Health System By Themselves
- ➔ Benefit Innovation Imperative
 - Learning from Consumers and Providers
 - Allow, Experiment, Improve
 - Price Incentives Work in U.S.

Consider HSAs as a Vehicle for Health Insurance Subsidy

- Tax Credits Losing Momentum?
 - Low-Income, Unemployed
 - Individual, Low-Wage Small Firm
- Tax Reform Based on Untaxed Savings Accounts?
- HSAs for all Low-Income? All Unemployed?
 - Use For Payment of Premium, Regardless of Plan
 - Health Expenses only if HDHP
 - Some Roll-Over?
 - Additional Subsidies via Various Programs