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HSA's and the Chronically Ill Smarter Patients and Better Care

Most people are relatively healthy thanks in part to modern medicine. However, some 90 million people have what is considered a chronic illness. Among the most common chronic illnesses are cancer, diabetes and heart disease.¹

Employers and individuals are increasingly looking to consumer driven health plans (CDHPs), which often include a Health Savings Account (HSA), to help rein in expenditures. But questions have arisen about how such plans affect those with chronic illnesses. Because HSAs provide patients greater control over their health care decisions and empower consumers to be better-informed patients, the chronically ill may find HSAs a valuable new option which could transform chronic care.

What Is a Chronic Illness? According to the U.S. National Center for Health Statistics, a chronic illness is one that lasts three months or more.²

Fortunately, many chronic illnesses are not life threatening and are manageable with medical treatment. Indeed, most patients with chronic illnesses live long and productive lives.

However, some chronic illnesses are monetarily as well as physically draining. Some patients may need constant monitoring. And some chronic illnesses require medical equipment that may not be covered by a health plan, and therefore the patient has to pay for that equipment out of pocket.

What Is an HSA? An HSA combines an insurance policy that covers large medical bills and preventive care with a personal, tax-free savings account for routine expenses. The policy protects the insured from the cost of a catastrophic illness, prolonged hospitalization or a particularly unhealthy year. The savings account is controlled by the insured and is intended to pay small and routine health care expenses. Both employers and individuals are allowed to contribute to the account.

Websites Designed to Educate Patients

HealingWell.com is 10 years old and has more than 30,000 members. It provides access to information for nearly 40 chronic illnesses.

www.healingwell.com

HealthGrades, founded in 1999, provides patients and companies with ratings and profiles on hospitals, physicians and nursing homes.

www.healthgrades.com

HealthEquity has an education center on its website to improve learning about consumer driven health care.

www.healthequity.com/pages/?section=2

Destiny Health offers a nurse care manager to help coach the consumer through a chronic condition and an expectation management tool that provides an in-depth look at certain medical procedures. It narrates each step of the process so that the consumer knows exactly what is involved before the procedure is performed.

www.destinyhealth.com

The Blue Cross and Blue Shield Association has launched "Blue Distinction," is an online-based program that includes a price trans-

parency demonstration for medical services for 17 Blue Cross and Blue Shield plans around the country.

www.bcbsa.com/bluedistinction

Aetna is expanding its price transparency demonstration project (August 2006) to eight states and plans to provide online access to physician costs, clinical quality and efficiency information for more than 14,800 specialist physicians and specific pricing for more than 70,000 physicians.

www.aetna.com/index.htm

Diagnostic Test Web Sites. There are several web sites that now offer consumers the opportunity to order the same diagnostic tests that they might get through traditional health care means – such as labs, hospitals and clinics. What makes these web sites unique is that consumers do not need a prescription from their doctor to have the test. Consumers pay upfront for the tests they want and receive a receipt to submit for reimbursement from their insurer, flexible spending account or HSA.

www.directlabs.com;

www.healthcheckusa.com/tests.asp;

www.med1-abusa.com; and

www.mymedlab.com

The insurance policy deductibles are higher than typical policies. For 2006, the deductible can be no less than \$1,050 for an individual, or \$2,100 for a family. However, many individuals find that higher deductibles will reduce their policy premiums by 30 to 40 percent, often more than offsetting the increase in the deductible.

In addition, HSAs provide true catastrophic protection. For 2006, HSA insurance policies must limit total annual out-of-pocket expenses to no more than \$5,250 for an individual, or \$10,500 for a family.

Annual contributions to the account are permitted up to 100 percent of the policy deductible, up to \$2,700 for an individual, and \$5,450 for a family. Individuals aged 55 and over are permitted to "catch-up," or increase, their contributions by an additional \$700.

The Explosion of HSAs. Since January 2004, the number of people enrolled in HSA plans has increased to about 3 million, according to a survey by America's Health Insurance Plans (AHIP). President George W. Bush, in his 2006 State of the Union Address, suggested that by enacting some of his proposed HSA reforms the number of Americans with HSAs would swell to 44 million by 2010.³

HSAs and the Chronically Ill. For years HSA critics have claimed that only healthy people would benefit from an HSA. Not true. In fact,

those with chronic illnesses often fare better financially with an HSA. And they have more control over their health care decisions.

More importantly, consumer driven health plans and HSAs have created a new set of incentives that encourage better-informed patients.

- A recent study in the Journal of Medical Internet Research says: “The use of the Internet to deliver Web-based interventions to patients is increasing rapidly. In a 7-year period (1996 to 2003), there was a 12-fold increase in MEDLINE citations for ‘Web-based therapies.’”⁴
- A three-year study of consumer driven plans, including 155 companies with 13,000 employees, recently released by Humana saw an increase in use of preventive services leading to fewer medical interventions and declining premium growth. The study concluded that most of the savings came from a change in behavior, not cost-shifting.⁵

Health insurers with a consumer focus have been incorporating elements that promote patient awareness for years. Even some large insurers that used to be critical of the consumer driven movement — preferring their longtime reliance on managed care instead — have joined the information campaign. [See the box.]

*Case Study: A HealthEquity Patient.*⁶ HealthEquity is a third-party administrator that handles HSA policies. A diabetic patient who had been enrolled in a plan with a \$10 copay for office visits and a \$35 copay for insulin and diabetic supplies was satisfied with that coverage.

When her company switched to an HSA plan, she was worried that she would not enjoy the same benefits. However, she began to question her routine medical care such as lab work, blood tests and examinations. For example, she was surprised to learn that her doctor was charging \$10 for a blood glucose test strip that she could buy one for less than 50 cents. She was also surprised at being charged \$15 for a urinalysis test that she could purchase in bulk for less than 50 cents apiece. So, armed with this information, she took her monitor and test sample with her to the nurse.

In addition, she switched to generic medications when possible and compared prices for diabetic supplies.

The patient says she has become empowered to be a researcher for herself and her children. Before taking her family to the doctor, she goes first to the online resources to learn more about a possible diagnosis and suggested medical care. She says that she discovered that by being in control of her own medical dollars she is much more conscientious of the level and quality of her health care.

More Help for the Chronically Ill. While those with chronic illnesses can often fare better under an HSA plan, Congress can do more.

First, President Bush has proposed allowing a person to contribute enough money to his own HSA to cover all out-of-pocket expenses up to the health plan’s out-of-pocket limit, not

just the deductible as is allowed under current law. A plan’s out-of-pocket limit is generally higher than the deductible. In addition, the president has proposed allowing contributions to the HSA to be made without paying income or payroll taxes on the contribution amount.

Second, under current law, an employer must contribute the same amount to each employee’s Health Savings Account. Chronically ill employees are not allowed to receive a larger contribution. President Bush has proposed changing the “comparability rules” to allow employers to contribute additional amounts to the HSAs of chronically ill employees or their dependents.

Such a proposal raises the question: Who decides who is chronically ill? One solution would be to include all those who are on a “qualified medication” — one that treats a chronic illness. Or it could be one of the small number of illnesses identified as chronic by the Centers for Disease Control. Other options include tying eligibility to cost, such as a patient who regularly spends 150 percent of the average medical cost. Alternatively, the legislation could require a medical doctor or the patient’s insurer to certify the patient as chronically ill. The president’s proposal would let the employer decide who would qualify for the additional contributions because of a chronic illness or condition.

Generally speaking, though, employers are not going to want to make larger HSA deposits if they don’t think the worker’s condition requires it, which creates a checks-and-balance on the system.

However, we believe simply allowing workers and/or employers to contribute money to the HSA up to the out-of-pocket maximum should cover most chronic illness situations, and eliminate the need for other changes

Conclusion. Although HSAs usually reduce health care costs, they are not just about saving money. HSAs empower consumers to become better-informed patients and take more responsibility for their care.

Some chronically ill people may find that an HSA provides them with more flexibility for choosing their health care providers, medications and medical equipment. They may also find that, once they have become empowered consumers in the health care marketplace, they are better patients — which can only improve their outcomes and quality of life.

Note: Endnotes are available at http://www.cahi.org/cahi_contents/resources/pdf/n136HSAIllness.pdf

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Endnotes

¹ Centers for Disease Control, “Chronic Disease – Overview,” <http://apps.need.cdc.gov>.

² Ibid.

³ The White House’s “Fact Sheet: Health Savings Accounts: Affordable and Accessible Health Care,” <http://www.whitehouse.gov/news/releases/2006/04/20060405-6.html>.

⁴ <http://www.jmir.org/2004/4/e40/>.

⁵ Ann Meyer, “Wellness Pays as Health Costs Shift,” *Chicago Tribune*, June 12, 2006. (www.chicagotribune.com/business/chi-0606120118jun12.1.5572555.story?coll=chi-business-hed)

⁶ Case Study provided by HealthEquity March 2006; name withheld to protect the privacy of the patient.