

White Paper: Health Savings Account Plan Availability On Federally-Run Affordable Care Act Exchanges

Contrary to industry concerns, HSA-qualified plans are widely available, attractively priced, but may be hard to identify on ACA exchanges

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Table of Contents:	
Key Terms and Definitions	3
Our Methodology	3
Executive Summary	4
Analysis	5
<i>HSA Plans are Widely Available, Attractively Priced, but May be Hard to Identify</i>	5
<i>HSA Availability Varies by State and Carrier</i>	5
<i>Price Competitiveness of HSA Plans on Federally Run Exchanges</i>	6
<i>State by State Differences in HSA Availability and Pricing</i>	7
<i>Recommendations to Make the Exchange Marketplace more Favorable for HSA Plans and Accounts.</i>	8
About HSA Consulting Services, LLC – Bringing Health to Finance	9
<i>Todd Berkley, President/Consultant</i>	9
<i>Roy Ramthun, “Mr. HSA”, Founder/Advisor</i>	9
<i>John Young, Consultant</i>	9
For Further Information About Our Consulting Services or to Request a Customized Analysis for Your Area.	9

Key Terms and Definitions

Federally Run ACA Exchanges – Online marketplaces created by the Affordable Care Act (ACA) for individuals to purchase approved health plans and apply for subsidies. Healthcare.gov is run by the Federal government for 36 states that opted out of creating their own exchanges under the law. Individuals must buy insurance through the public exchanges in order to receive subsidies available within ACA. Exchanges opened on Oct 1, 2013 to begin enrolling individuals for health plans beginning 1/1/2014.

State-run ACA Exchanges - Online marketplaces created by the Affordable Care Act (ACA) for individuals to purchase approved health plans and apply for subsidies, run by 16 individual states and the District of Columbia. Individuals must buy insurance through the public exchanges in order to receive subsidies available under the law. Exchanges opened on Oct 1, 2013 to begin enrolling individuals for health plans beginning 1/1/2014.

SHOP ACA Exchanges – Public Exchanges created by ACA for Small Business Owners to purchase insurance for their employees. Federally run SHOP exchanges have been delayed by one year, but some state-run exchanges are available. This analysis is focused on the ACA exchanges created for individuals.

Private Exchanges – Online marketplaces created by private companies to offer insurance to individuals or employees on behalf of businesses. Private exchanges are experiencing a surge in growth as companies seek to convert to a defined contribution model, where a company gives its employees a set amount of money to purchase from a range of benefit options.

Counties/Pricing Regions – The ACA Exchanges offer health insurance options at the county level, which are grouped into Pricing Regions where the pricing for a given plan option is identical. The Federally-run ACA Exchanges feature over 78,000 combinations of health insurance options by county from 139 different health insurers.

Health Savings Accounts (HSAs) - HSAs combine a HSA-Qualified health plan with minimum deductible and maximum out of pocket cost requirements with a companion Health Savings Account that allows individuals to save and pay for medical expenses on a tax-free basis. They were created in 2003 and have grown rapidly, now covering more than 15 million Americans according to the 2013 HSA Census by AHIP. A mid-2013 study of HSA accounts by Devenir showed more than 9 million accounts with \$18 billion in assets. Both accounts and balances grew by 29% from a year earlier, evidence of the rapidly increasing popularity of HSAs. Further, there is a growing body of evidence that HSA accountholders are more engaged consumers, utilizing the health care system more prudently, using preventive care more often, and actually improving health status versus traditional options while on HSA plans.

Our Methodology

HSA Consulting Services analyzed government data supplemented by publicly available data from reputable sources on the Internet and inquiries to individual exchanges and health plans to verify offerings. We analyzed the data utilizing three methods: 1) all plans offered in all counties, 2) all plans offered in three key counties in each state (counties with the Most Choices, the Lowest Cost and the Highest Cost in each state) and 3) all plan offerings in one county per ACA pricing region in each state, filtered to exclude areas where both HSA and non-HSA plans are not offered in the same county. All three methods yielded similar results.

All data comparisons in this paper come from Method 3, which we feel offers the most uniform comparison across states. We did not attempt to weight by population either within or across states, but methods 2 and 3 do this naturally to a certain extent. Finally, we removed all the options limited to morbidly obese people, which were unique to the Virginia exchange, as those options were skewing the data and not relevant to the key questions answered here.

Executive Summary

HSA Plans are Widely Available, Attractively Priced, but may be Hard to Identify on ACA Exchanges

HSA plans and tax-advantaged accounts have grown rapidly in their first ten years of existence and now cover more than fifteen million Americans. Many people feared that the Affordable Care Act (ACA) would dampen HSA growth or even eliminate HSA options, especially in light of the Massachusetts experience, where HSAs have not been as popular.

Our research shows that HSAs play a prominent role in the ACA exchanges, accounting for nearly 20% of total offerings. This is about three times the current 7% HSA market share of commercial insurance, according to the 2013 AHIP HSA Census. If the exchanges survive their slow start and grow as expected, HSAs will likely grow rapidly and be among the most affordable options in the Affordable Care Act.

Widely Available

HSA-Qualified Plans represent nearly 20% of available offerings and are available in ACA exchanges in every state except Hawaii.

Attractively Priced

HSA Plans are eleven percent less expensive than non-HSA plans on average saving the typical family over \$1,000 per year in premium costs.

Hard to Identify

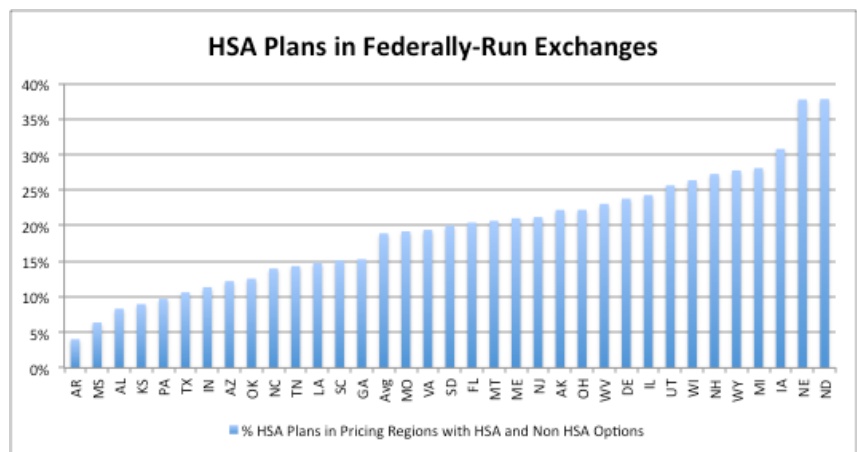
Exchanges have no criteria to search or verify HSA plans and plan names are often unclear. Many counties have no HSA plan options or a limited choice.

HSA Availability Varies by State, County, and Carrier

While HSA plans are available in every state served by the Federally-run ACA exchanges and every state-run ACA exchange except Hawaii, the number of options in any given county varies widely.

In some states, such as Nebraska, North Dakota, Iowa, and Michigan, HSA options represent a third or more of all choices. In some areas, no HSA options are available at all, including most counties of Alabama and Mississippi, and 8 remote counties in North Dakota and one county in Wisconsin, states where HSAs are otherwise widely available.

Similarly, plan availability varies widely among carriers. Out of 139 different carriers, HSA plans represent more than 25% of the plans offered for 38; alternatively, 54 carriers offer no HSA plans at all.



Recommendations to Make the ACA Exchanges More Favorable for HSA Plans and Accounts

HSAs have proven to reduce cost and improve consumer engagement and health outcomes by combining a high deductible plan with a tax-free savings option. People simply behave differently when they spend their own money on their own care. These attributes are very compatible with the stated goals of the Affordable Care Act. The following changes would create an even more favorable environment for HSA usage in ACA exchanges:

- Add definitive HSA search and attribute criteria to the set of tools available to consumers or, at least, require carriers to include the label "HSA" in the name of all HSA-qualified plans.
- Incorporate tax savings estimates from account contributions in a set of customer-facing tools to determine the true net cost of plan options.
- Add or connect to a similar HSA account exchange to select among competing HSA accounts when an HSA plan is selected.
- Amend ACA to allow HSAs as Catastrophic Plans, allowing young people to save for future health care expenses.

Analysis

HSA Plans are Widely Available, Attractively Priced, but May be Hard to Identify

HSA plans and tax-advantaged accounts have grown rapidly in their first ten years of existence and now cover more than fifteen million Americans. Many people feared that the Affordable Care Act (ACA) would dampen HSA growth or even eliminate HSA options, especially in light of the Massachusetts experience, where HSAs have not been as popular. Our research shows that HSAs play a prominent role in the ACA exchanges, accounting for nearly 20% of total offerings. This is about three times the current 7% HSA market share of commercial insurance, according to the 2013 AHIP HSA Census. If the exchanges survive their slow start and grow as expected, HSAs will likely grow rapidly and be among the most affordable options in the Affordable Care Act exchanges.

Outside of the ACA, HSAs are growing even faster, with large companies accelerating growth of adoption and participants in fast-growing private exchanges choosing HSA plans more than 50% of the time, according to early data from Bloom Health.

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Hard to Identify

Exchanges have no criteria to search or verify HSA plans and plan names are often unclear. Many counties have no HSA plan options or a limited choice.

HSA Availability Varies by State and Carrier

While HSA plans are available almost everywhere, the number of options in any given county varies widely. In some states such as Nebraska, North Dakota, Iowa, and Michigan, HSA options represent a third or more of all choices. In some areas, no HSA options are available at all, including most counties in Alabama and Mississippi, all of Hawaii, and 8 remote counties in North Dakota and one county in Wisconsin, states where HSAs are otherwise widely available. Similarly, plan availability varies widely among carriers. Out of 139 total carriers, HSA plans constitute more than 25% of the plans offered for 38 carriers; alternatively, 54 carriers offer no HSA plan offerings at all.

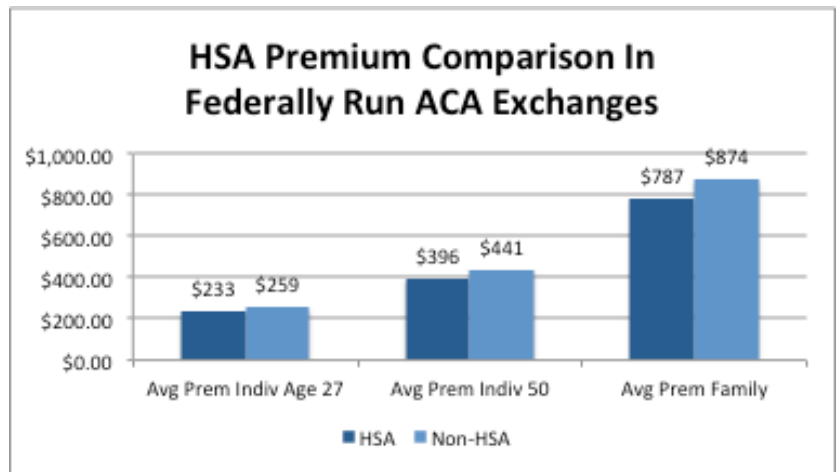
Largest Health Plans on Federally-run Exchanges with No Identifiable HSA Options	Count of Plans	% HSA
Geisinger Health Plans	1041	0%
Ambetter from Magnolia Health Plan	846	0%
Firstcare Health Plans	540	0%
Ambetter of Arkansas	522	0%
Louisiana Health Cooperative	500	0%
Sanford Health Plan	476	0%
Blue Cross and Blue Shield of Alabama	469	0%
Montana Health Co-Op	448	0%
QualChoice Health Insurance	438	0%
Ambetter from Peach State Health Plan	432	0%
GlobalHealth	432	0%
BlueCross BlueShield of South Carolina	414	0%
UPMC Health Plan	372	0%
Ambetter from Superior Health Plan	324	0%
PHP or Physicians Health Plan	320	0%
Common Ground Healthcare Cooperative	304	0%

Health Plans with HSA plans as 25% or more of total offerings	Count of Plans	Count of HSA Plans	% HSA
Health Alliance Medical Plans - IL	846	470	56%
Health Alliance-Alegent Creighton Health Partner - NE	33	18	55%
Blue Cross Blue Shield of Michigan	498	249	50%
Security Health Plan of Wisconsin, Inc.	328	164	50%
AmeriHealth New Jersey	290	142	49%
MedMutual	1144	528	46%
Medica	611	282	46%
PacificSource Health Plans	504	224	44%
Optima Health	784	336	43%
Blue Cross and Blue Shield of Nebraska	1140	481	42%
Health Tradition Health Plan	200	80	40%
CoOpportunity Health	2936	1101	38%
Scott & White Health Plan	408	153	38%
Physicians Plus Insurance Corporation	8	3	38%
Arise Health Plan	1456	520	36%
Arches Health Plan	345	116	34%
Kaiser Foundation Health Plan of Georgia	252	84	33%
HealthSpan	204	68	33%
Kaiser Permanente	180	60	33%
MercyCare Health Plans	12	4	33%
Priority Health	1320	417	32%
DAKOTACARE	1254	396	32%
Gundersen Health Plan, Inc.	256	80	31%
WINhealth Partners	299	92	31%
Highmark Health Insurance Company	500	150	30%
Kaiser Foundation Health Plan of Ohio	63	18	29%
Blue Care Network of Michigan	324	92	28%
Highmark Blue Cross Blue Shield West Virginia	605	165	27%
CareFirst BlueChoice, Inc.	77	21	27%
Blue Cross Blue Shield Louisiana	1216	320	26%
Florida Blue (BlueCross BlueShield FL)	2641	665	25%
Premiera Blue Cross Blue Shield of Alaska	696	174	25%
Community Health Alliance	496	124	25%
Consumers' Choice Health Plan	368	92	25%
BridgeSpan Health Company	116	29	25%
Health Net of Arizona	72	18	25%
CareFirst BlueCross BlueShield	28	7	25%
Humana Health Benefit Plan of Louisiana, Inc.	12	3	25%

Price Competitiveness of HSA Plans on Federally Run Exchanges

In the 36 ACA exchanges run by the Federal government, HSA Plans make up 19% of all offerings and are about 11% less expensive than Non-HSA offerings on average. HSAs are less expensive for 27-year-old individuals by \$26 per month, for 50-year-old individuals by \$44 per month, and for the average family by \$88 per month.

Unfortunately, HSA Plans are barred from the Catastrophic category, aimed at so-called Young Invincibles under the age of 30, because they must cover up to three doctor's office visits free of charge, which is against HSA qualifications by law. Bronze plans are the lowest level that qualifies for ACA subsidies, and HSAs are well represented in that category, with nearly half (42%) of the offerings available. HSAs also make up 15% of Silver offerings and a surprising 9% of Gold offerings, but none of the Platinum plans, which have limits that are too high for HSA plans.



Metal Tiers	% of Offerings	% HSA Plans
1-Catastrophic	6%	0%
2-Bronze	33%	42%
3-Silver	33%	15%
4-Gold	23%	9%
5-Platinum	6%	0%
Grand Total	100%	19%

HSA Plans are cost competitive in all tiers they operate in, especially the Bronze Tier. In the Bronze Tier, representing a third of all plans, non-HSA plans are 5% more expensive than HSA offerings. In the Silver category, representing another third of offerings, HSA plans are priced slightly higher than Traditional plans. The same phenomenon exists in the Gold category. The fact that the ACA Exchange rules allow for many states to offer HSA plans in the Gold category is a very positive, and somewhat unexpected, development.

Overall, HSA plans are well-represented and cost-competitive, alleviating fears of many who thought they would be squeezed out of exchanges, either by design, as in the catastrophic plan example, or by accident, due to unintended consequences of regulations or by free market choice of which competitors are participating.

In fact, many large health plans with strong current HSA market share have declined to participate widely in public exchanges thus far, but smaller players seem to be filling the gap and creating a robust market for HSA plans in the first year of the Federally run ACA Exchanges.

Metal Tiers by Plan Type	Avg Prem Family	Avg Vs HSA
1-Catastrophic	\$577.45	
Non-HSA	\$577.45	N/A
2-Bronze	\$721.55	
HSA	\$702.56	
Non-HSA	\$735.31	5%
3-Silver	\$866.25	
HSA	\$874.48	
Non-HSA	\$864.80	-1%
4-Gold	\$1,006.46	
HSA	\$1,015.64	
Non-HSA	\$1,005.56	-1%
5-Platinum	\$1,076.95	
Non-HSA	\$1,076.95	N/A
Grand Total	\$857.86	
HSA	\$786.53	
Non-HSA	\$874.86	11%

State by State Differences in HSA Availability and Pricing

HSA plans are available in every ACA exchange in the US, except the Hawaii state-run exchange. While HSAs are available in every state on the Federally run exchanges for 36 states, they are not available in many parts of Alabama and Mississippi and small parts of North Dakota and Wisconsin. The chart below shows that HSAs are thinly available in Arkansas, Kansas, and Pennsylvania, but represent 30% or more of all plans offered in Michigan, Iowa, Nebraska, and North Dakota.

Prices also vary widely by state. The average price of a Family health plan of any type is \$857.86 per month, using our proprietary methodology. The average price of an HSA Family plan is \$786.53, compared to \$874.30 for a non-HSA plan, a difference of \$87.76 per month, over \$1,053 per year. The average family plan price ranges from nearly \$1,200 in Wyoming and Alaska to less than \$700 in Kansas and Utah.

The chart to the right shows the differences by state, sorted by the percentage difference in the cost of the average family HSA plan versus the average non-HSA Family plan. In both Virginia and Oklahoma, HSA plans are 53% less expensive than the non-HSA options. In Virginia, the \$358 per month premium difference would save a typical family nearly \$4,300 per year.

In only two states, West Virginia and South Dakota, are HSA plans more expensive than other options. Many individuals have only one or two companies offering HSA plans to choose from in the following states: Alaska, Alabama, Arkansas, Delaware, Indiana, Louisiana, Maine, Mississippi, Montana, North Carolina, North Dakota, New Hampshire, New Jersey, South Dakota, West Virginia and Wyoming.

State By State Price Comparison				
State	Avg Family HSA Premium	Avg Family Non-HSA Premium	HSA vs Non-HSA	HSA vs Non-HSA
OK	\$509.23	\$780.04	-\$270.80	-53%
VA	\$680.25	\$1,038.47	-\$358.22	-53%
AR	\$611.28	\$867.80	-\$256.52	-42%
NC	\$708.23	\$889.85	-\$181.62	-26%
AL	\$622.96	\$763.88	-\$140.92	-23%
KS	\$561.31	\$679.18	-\$117.87	-21%
NJ	\$940.46	\$1,123.95	-\$183.49	-20%
IN	\$763.99	\$911.40	-\$147.40	-19%
AZ	\$749.99	\$880.68	-\$130.69	-17%
MO	\$715.78	\$836.08	-\$120.30	-17%
TN	\$638.68	\$737.97	-\$99.29	-16%
AK	\$1,031.67	\$1,191.83	-\$160.17	-16%
PA	\$667.98	\$768.24	-\$100.26	-15%
TX	\$683.25	\$784.96	-\$101.72	-15%
NE	\$665.98	\$762.89	-\$96.91	-15%
GA	\$804.41	\$919.47	-\$115.06	-14%
MS	\$834.69	\$951.78	-\$117.10	-14%
FL	\$805.61	\$915.82	-\$110.21	-14%
ME	\$860.98	\$967.45	-\$106.47	-12%
MT	\$661.85	\$737.92	-\$76.07	-11%
Nat'l Avg	\$786.53	\$874.30	-\$87.76	-11%
SC	\$761.66	\$844.04	-\$82.38	-11%
WI	\$904.29	\$998.80	-\$94.50	-10%
IL	\$780.94	\$850.01	-\$69.07	-9%
UT	\$655.98	\$710.61	-\$54.63	-8%
DE	\$824.19	\$888.93	-\$64.74	-8%
NH	\$709.02	\$763.87	-\$54.85	-8%
IA	\$741.13	\$788.44	-\$47.32	-6%
LA	\$853.77	\$902.57	-\$48.79	-6%
MI	\$838.44	\$877.52	-\$39.08	-5%
OH	\$775.48	\$811.55	-\$36.07	-5%
WY	\$1,163.05	\$1,207.09	-\$44.04	-4%
ND	\$778.97	\$785.29	-\$6.32	-1%
WV	\$779.29	\$772.30	\$6.99	1%
SD	\$1,133.17	\$1,013.70	\$119.47	11%

But, by and large, HSA plans are widely available and attractively priced, at least versus the other options within the ACA exchanges.

Highest and Lowest Premiums by State

State	Avg Family HSA Premium	Avg Family Non-HSA Premium	HSA vs Non-HSA	HSA vs Non-HSA
OK	\$509.23	\$780.04	-\$270.80	-53%
KS	\$561.31	\$679.18	-\$117.87	-21%
AR	\$611.28	\$867.80	-\$256.52	-42%
AL	\$622.96	\$763.88	-\$140.92	-23%
TN	\$638.68	\$737.97	-\$99.29	-16%
Nat'l Avg	\$786.53	\$874.30	-\$87.76	-11%
WI	\$904.29	\$998.80	-\$94.50	-10%
NJ	\$940.46	\$1,123.95	-\$183.49	-20%
AK	\$1,031.67	\$1,191.83	-\$160.17	-16%
SD	\$1,133.17	\$1,013.70	\$119.47	11%
WY	\$1,163.05	\$1,207.09	-\$44.04	-4%

Recommendations to Make the ACA Exchange Marketplace more Favorable for HSA Plans and Accounts.

HSAs have proven to reduce cost and improve consumer engagement and health outcomes by combining a high deductible plan with a tax-free savings option. People simply behave differently when they spend their own money on their own care. These attributes are very compatible with the stated goals of the Affordable Care Act.

President Obama outlined eight goals for his health reform effort including protecting families' financial health, making health coverage more affordable, portability of coverage, and investing in prevention and wellness. HSA plans and accounts have a strong history of helping the nation improve on every one of his stated goals.

We recommend the following changes to create an even more favorable environment for HSA usage in ACA exchanges:

- Add definitive HSA search and attribute criteria to the set of tools available to consumers or, at least, require carriers to include the label "HSA" in the name of all HSA-qualified plans.

Nearly half of the HSA options we found in the Federally-run ACA Exchange did not have any obvious indication in the name of the plan that would help a consumer know that they could add a tax-saving HSA account to save and pay for qualified medical expenses.

- Incorporate tax savings estimates from account contributions in a set of customer-facing tools to determine the true net cost of plan options.

When an individual is trying to decide which plan is best, the tax-savings associated with an HSA-qualified plan should be one of the factors in that decision. According to our experience, the average HSA accountholder saves roughly \$40 per month in taxes by making contributions to an HSA account. For high-income individuals making a maximum contribution, the tax-savings alone can be more than \$250 per month. By making these savings more clear, the exchanges would provide greater value to their enrollees.

- Add or connect to a similar HSA account exchange to select among competing HSA accounts when an HSA plan is selected.

An individual choosing an HSA qualified plan is well-served to open an HSA account to save for out-of-pocket expenses now and in the future on a tax-free basis. The Federally-run ACA Exchanges offer no help in discovering the best option for opening an account and in fact, do not even bring up the topic. Exchanges should offer a choice of account vendors when an HSA plan is chosen to help people save for the expenses they will incur. eHealthInsurance.com has been doing this for years.

- Amend ACA to allow HSAs as Catastrophic Plans, allowing young people to save for future health care expenses.

The ACA statute requires that Catastrophic Plans be offered to people under 30 that don't meet the normal actuarial rules in order to be more affordable, yet still offer protection against the catastrophic costs of an unexpected illness or accident. The statute requires up to three free visits that eliminate these plans from being used with HSA accounts. This discourages saving and participation in the system and does not seem to match the stated goals of the law.

About HSA Consulting Services, LLC – Bringing Health to Finance

HSA Consulting Services provides consulting services focused on HSA growth. We are passionate advocates for HSA growth. As a leading voice in the Health Savings Account (HSA) and Consumer Directed Health (CDH) industry, we can:

- Help companies engage employees in the HSA experience
- Assist custodians and health plans to profitably grow their existing CDH businesses
- Advise companies to enter the CDH market successfully by seeking the right partners, applying regulations and training support staff.

Todd Berkley, President/Consultant

Todd Berkley is a leading practitioner in managing the business of Health Savings Accounts and now a leading consultant focused on CDH growth strategies. As HSA Business Leader for OptumHealth Bank (part of UnitedHealthcare) from 2005 to 2012, he was a driving force from shortly after start-up to making Optum a perennial industry leader in health spending accounts.

Todd is a consultant to the ABA HSA Council, and has been an active member of the AHIP HSA Leadership Council and ECFC Working Group and other industry advocacy activities. He was instrumental in helping the industry tell its story to key lawmakers, regulators and administrators during the health reform debate, helping to preserve HSAs growing impact on health care.

Roy Ramthun, “Mr. HSA”, Founder/Advisor

Roy Ramthun is a nationally recognized expert on Health Savings Accounts and consumer-directed health care issues. He led the U.S. Treasury Department's implementation of HSAs after they were enacted into law in 2003. President George W. Bush then tapped Mr. Ramthun to be his health care policy advisor at the White House, where he developed the President's proposals to expand HSAs while overseeing the implementation of the Medicare prescription drug benefit (Part D).

He continues to be an advocate for consumerism in health care and is a frequent speaker at conferences and seminars around the country. Mr. Ramthun has over twenty-five years of health care and public policy experience, both in government and in the private sector. He has served on the staff of the U.S. Senate Committee on Finance and the U.S. Health Care Financing Administration (now known as the Centers for Medicare & Medicaid Services). He also spent eight years with Humana Inc.

John Young, Consultant

John Young is devoted to improving Consumer Driven Health Plan strategies and the customer experience through all stakeholders - health plans, employers, benefit advisors, policy makers, banks, and doctors and hospitals.

John was previously Senior Vice President, Consumerism for CIGNA Healthcare. John served as a primary resource for driving CIGNA's consumer driven health strategy through national mid-market sales and service regions.

In December 2012, John received the John J. Robbins Senior Memorial HealthCare Consumerism Leadership Award from the Institute of HealthCare Consumerism (theihcc.com) and in 2010, John was recognized as Health Plan Innovator by CDHC Solutions Magazine in their Consumerism Industry Superstars Issue.

For Further Information About Our Consulting Services or to Request a Customized Analysis for Your Area.

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