



**The National Business Group on Health
Statement for the Record
Subcommittee on Health
U.S. House Committee on Ways and Means
Hearing on Health Savings Accounts (HSAs) and Consumer Driven Health Care**

Wednesday May 14, 2008

The National Business Group on Health (The Business Group) commends the Congress for creating Health Savings Accounts (HSAs) under the Medicare Modernization Act of 2003 and thanks the Committee for the opportunity to submit this statement for the record. The Business Group, representing over 300 large employers that provide health care coverage to more than 55 million U.S. employees, retirees and their families, is the nation's only non-profit organization devoted exclusively to finding innovative and forward-thinking solutions to large employers' most important health care and related benefits issues. Business Group members are primarily Fortune 500 and large public sector employers, with 63 members in the Fortune 100.

A Solution in Search of a Problem? Is HSA Substantiation Necessary?

As health care costs escalate and consumers become more engaged, the Business Group supports expanding the flexibility and value of HSAs and opposes increasing the administrative cost and paperwork burden for employers and employees. HSAs encourage smart, cost-effective health care spending and provide people with a potential retiree health savings vehicle. The Business Group recommends that the Committee further analyze the data on the number of HSA account holders reporting their non-medical expenditures as taxable income before considering imposing unnecessary new administrative burdens on HSA trustees and account holders. The vast majority of HSA distributions are made for qualified health care purchases. During the previous Ways and Means Committee markup of H.R. 5719, the Taxpayer Assistance and Simplification Act of 2008, the Treasury Department presented preliminary information that a significant number of taxpayers with HSAs who also took distributions for non-qualified medical expenses were reporting their non-health care distributions as taxable. Furthermore, a significant portion of unsubstantiated distributions paid to non-health care merchants are likely to be valid health care purchases from merchants such as grocery stores, discount retailers and other merchants who sell health care products. Accordingly, a substantiation reporting requirement may be unnecessary and raise the cost of HSAs, decreasing their convenience for employees and also raising account holders' health care costs.

The April 2008 Government Accountability Office (GAO) Report

While the GAO did receive estimates of the number of lives covered by HSA-eligible health plans from 2004 through 2007 from America's Health Insurance Plans (AHIP), the GAO report only analyzed 2004 and 2005 tax filer data from the Internal Revenue Service

(IRS) to estimate the number of individuals who reported HSA activity in those years. Thus, the report only utilized tax data from a year when the number of HSA policy-holders was one-sixth its current level. Specifically, the report found:

- 2005 HSA contributions totaled \$754 million, while withdrawals were only \$366 million. This statistic reveals that people are saving HSA funds as intended—to pay for long-term and catastrophic health care expenses.
- GAO cited various employer surveys that employers often contribute \$600-800 annually to their employees' HSAs to pay for health care expenses.
- GAO found that, on average, people with HSAs in 2005 tended to have higher annual incomes – averaging \$139,000 – than the general population of tax-filers, at \$59,000. However, a 2006 study by the online HSA sales website, Ehealthinsurance, found that 45 percent of people in HSA-eligible plans had incomes below \$50,000 and that **41 percent of HSA purchasers had not previously had health insurance coverage in the prior six months**. Another Internet survey in 2005 by the Employee Benefit Research Institute (EBRI) found that 33 percent of people who had opened HSA accounts had incomes of less than \$50,000.

HSAs Are Expanding Health Care Coverage and Growing with Small Businesses

Following submission of the GAO report, AHIP released its annual "census" of HSA enrollment, showing 6.1 million enrollees in January; **almost double** the enrollment from two years ago. Specifically, the growth in HSA-eligible plans is concentrated among small businesses. Over the last year, the fastest growing market for HSA/High-Deductible Health Plan (HDHP) products was small-group coverage, rising from approximately 25 percent to 30 percent of overall HSA/HDHP enrollment.

Large Employer Examples of the Success of HSAs/Consumer-Directed Health Plans (CDHPs)

The table that follows provides some successful workplace examples of employer-sponsored HSAs among Business Group members.

Company Name	Plan Description	Results
Bank of America ⁱ (500,000 eligible)	<ul style="list-style-type: none"> ○ HDHP with Personal spending account similar to HSA, or HSA ○ For employees who earn less than \$100,000 – receive up to \$100 per month for health expenses ○ Employer contributes \$600-\$1,200 into the account for copayments and other expenses 	<ul style="list-style-type: none"> ○ Employees can use money for health care in retirement ○ Allow employees to have more control over their own dollars
Financial Services Employer	<ul style="list-style-type: none"> ○ HDHP/HSA ○ Provide health care “navigators” to help employees navigate the health care system ○ Contributes to HSA in January, June 	<ul style="list-style-type: none"> ○ 87% enrollment ○ Two-thirds of employees who participate in HDHP contribute to HSA
General Motors Corp. ⁱⁱ	<ul style="list-style-type: none"> ○ HDHP/HSA 	<ul style="list-style-type: none"> ○ Increased drug generic utilization rate by 9%, to 65%
Owens Corning ⁱⁱⁱ	<ul style="list-style-type: none"> ○ HDHP/HSA or HRA ○ Employer contributes \$750 per employee, \$1,500 per family ○ \$50 incentive to participate in health risk assessment ○ \$40 non-smoker discount 	<ul style="list-style-type: none"> ○ 300+ employee have quit smoking ○ Addition of more disease management programs
Pitney Bowes ^{iv} (18,000 eligible)	<ul style="list-style-type: none"> ○ HDHP/HSA ○ On-site health clinics that provide preventive services, like screenings and immunizations ○ 100% coverage for preventive care 	<ul style="list-style-type: none"> ○ 20% enrollment
The Kroger Co. ^v (70,000 eligible)	<ul style="list-style-type: none"> ○ HDHP/HSA ○ Preventive drugs are covered outside of the deductible ○ Employer contributes half of deductible in early January ○ Matches employee contributions up to \$500 for individuals, \$1,000 for families 	<ul style="list-style-type: none"> ○ 23% enrollment, up from 4.6% in 2006

Company Name	Plan Description	Results
Towers Perrin ^{vi}	<ul style="list-style-type: none"> ○ HDHP/HSA ○ \$2,850 deductible ○ 100% coverage after deductible ○ \$500 per person for preventive care ○ Employees earning less than \$50,000 receive \$720 contribution from company decreases as salary increases ○ \$120 per person credit for employees/spouses who complete a health risk assessment and engage in health coaching 	<ul style="list-style-type: none"> ○ 62% enrollment
Wendy's ^{vii} (20,000 eligible)	<ul style="list-style-type: none"> ○ HDHP/HSA ○ 100% coverage for preventive care ○ Employer contribution covers 60% of deductible 	<ul style="list-style-type: none"> ○ 70-72% enrollment ○ 61% generic drug utilization rate ○ No increase in employee premiums for the past 4 years ○ 2.5 employees per 1,000 had a colonoscopy – compared to UnitedHealth's average of 1.4 ○ 38% of employees had a physical, up from 20% in 2004

Employer-Sponsored HSA/HDHP/CDHPs Provide Evidence of Improved Quality

Preventive Care

A July 2007 survey by AHIP of 36 insurance companies found that nearly all group HSA/HDHP policies and more than half of individual policies cover preventive services regardless of whether the deductible has been met. Specifically:

- 99% of HSA/HDHP policies purchased in the large group market, and 96% in the small group market, provided this coverage.
- In the individual market, 59% of HSA/HDHP policies covered preventive care outside of the deductible.
- Approximately three-quarters (76%) of HSA/HDHP policies cover preventive services without any coinsurance or copayment for covered preventive services.

The 2007 Kaiser Family Foundation / Health Research and Educational Trust Employer Health Benefits Annual Survey found that most employees and their families with HSA/HDHP coverage can get annual examinations, immunizations and screenings without a deductible. Most employers pay first dollar coverage, while others require a small copay or coinsurance. Specifically, the survey found that:

- 88% of employees in CDHP/Health Reimbursement Arrangements (HRA) have access to preventive benefits with no deductible; while 86% of employees with HSAs can access preventive care without a deductible.

Wellness

The Blue Cross Blue Shield Association's 2007 CDHP member experience survey reports that consumers in CDHPs are more engaged than their non-CDHP counterparts in wellness programs, including:

- Smoking cessation—20% vs. 6%;
- Stress management—22% vs. 6%;
- Nutrition/diet program—27% vs. 12%; and
- Exercise program—29% vs. 12%.

Treatment Adherence

An April 2007 UnitedHealth Group study found that CDHP enrollees with a chronic illness abide by their treatment regimen at the same rates comparable to, or even better than, enrollees in more traditional plans.

- **Diabetes:** CDHP enrollees were 16% more likely to receive HbA1c tests than members in traditional plans.
- **Coronary Artery Disease (CAD):** CDHP enrollees were 22% more likely to have lipid tests, and were equally likely to see a doctor.
- **Congestive Heart Failure (CHF):** CDHP enrollees were 6% more likely to use ACE inhibitor medications.

Urgent Care

The March 2007 Journal of the American Medical Association examined the effect of CDHPs on emergency room usage because urgent care represents a large portion of today's health care costs, it was important to examine whether enrollees 1) were getting needed care, and 2) were going to the emergency room for symptoms that could be treated at much less expense by a primary care physician (PCP).

- Hospitalizations for patients whose symptoms could be treated by a PCP declined by 29.6% in the HDHP group compared to the control group.
- For the HDHP group, the odds of increasing emergency room utilization after hitting the deductible were no greater in comparison to utilization below the deductible.

Increased Use of Provider and Other Health Information

AHIP’s January 2007 “census” found that HSA/HDHPs encourage enrollees to use available resources to aid them in making health care choices on the basis of quality and cost; and, in addition, encourage them to use tools to become healthier individuals.

- 86% of HSA/HDHPs provide hospital-specific quality data; 50% provide physician-specific quality data.
- 88% of HSA/HDHPs make cost information (negotiated rates, drug prices) available to plan members.
- 72% of HSA/HDHPs provide personal health records (PHRs).

The 2007 EBRI/Commonwealth Fund Consumerism in Health Care Survey also reports that individuals with CDHPs tend to use consumer health information at higher rates than those in more traditional plans, including:

- Requesting a generic drug substitution;
- Talking to a doctor about treatment and options;
- Checking the price of a service before getting care;
- Participating in wellness programs; and
- Using online cost tracking tools.

Employee Satisfaction

- A 2005 study by Fidelity Investments found that re-enrollment rates for CDHPs reached 95%—the highest of any plan type.
- A 2005 GAO report found that enrollees from the American Postal Workers Union rated CDHPs higher in terms of overall plan performance, compared to other plan enrollees.
- A 2006 Blue Cross Blue Shield Association CDHP member experience survey found that 73% of CDHP enrollees said they are likely or very likely to renew their current health coverage for the following year.

CDHPs Cover Every Age Group

A 2007 EBRI/Commonwealth Fund consumerism in health care survey found that CDHP enrollees cover every age group fairly well:

- 20% between ages 21-34;
- 31% between ages 35-44;
- 30% between ages 45-54; and
- 19% between ages 55-64.

Again, the Business Group appreciates the opportunity to submit this statement for the record. We look forward to working with the Congress and the members of this Committee to expand the value and increase the flexibility of both HSAs and CDHPs and to improve the effectiveness and efficiency of health care.

ⁱ Atlantic Information Services. (2008, April 25). Bank of America to offer employees health care accounts for expenses. *Inside Consumer-Directed Care*, 6(8).

ⁱⁱ Atlantic Information Services. (2007, December 21). Generic rx usage reaches 65% under General Motors' cdh plan. *Inside Consumer-Directed Care*, 5(24).

ⁱⁱⁱ Robbins, M. (2008, April 1). Employers get on the health care superhighway with next generations HSA programs. *Employee Benefit News*, retrieved from ebn.benefitnews.com.

^{iv} Atlantic Information Services. (2008, May 9). Pitney Bowes account-based plans deliver health and consumerism. *Inside Consumer-Directed Care*, 6(9)

^v Atlantic Information Services. (2007, January 26). CDH pioneers target behavior among chronic, healthy enrollees. *Inside Consumer-Directed Care*, 5(2).

^{vi} Atlantic Information Services. (2007, June 8). From burger chains to municipalities, cdh helps employers cut costs, improve health. *Inside Consumer-Directed Care*, 5(11).

^{vii} Atlantic Information Services. (2007, February 9). Wendy's 'beefs up' preventive care incentives. *Inside Consumer-Directed Care*, 5(3).