



PROGRAM

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# PERSPECTIVES

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## HIGH DEDUCTIBLE HEALTH PLANS



### A growing option in private industry

**T**he cost of health care coverage has been one of the fastest rising components of employee compensation in recent years. Many employers choose not to offer health care coverage to employees because of high health care costs, and many employees choose not to participate in employer-based medical plans because of the associated expenses. The results of the March 2010 National Compensation Survey (NCS) found 71 percent of all workers in private industry had access to medical plans; of these workers, 73 percent chose to participate in medical plans. To respond to higher health care costs and provide coverage for more workers, employers are offering a new type of health plan: high deductible health plans (HDHPs).

HDHPs were specifically created to have higher deductibles and lower premiums than traditional health plans and provide, at mini-

imum, catastrophic health coverage. Traditional plans have copayments for doctor visits and prescription drugs. HDHPs require the insured person to make payments up to a defined annual deductible amount before the insurance plan pays for any benefits. The Internal Revenue Service (IRS) sets the minimum deductible for what qualifies as an HDHP. Participants in HDHPs can enroll in a health savings account (HSA), a tax-advantaged medical saving account that helps participants save money to pay for medical expenses.

This issue of *Program Perspectives* highlights HDHP data for private industry workers, including participation and comparisons between deductibles for traditional plans and HDHPs. Access data for HSAs are provided for private industry workers. Estimates of benefit provisions in this issue are from the U.S. Bureau of Labor

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TABLE 1

## Percent of workers participating in medical plans in high deductible health plans and traditional (non-high deductible) health plans, private industry workers, 2009

Characteristics	High deductible health plans	Traditional health plans
Worker characteristic		
All workers	15	85
Full time	15	85
Part time	7	93
Union	5	95
Nonunion	16	84
Establishment characteristic		
1 to 99 workers	17	83
1 to 49 workers	18	82
50 to 99 workers	16	84
100 workers or more	12	88
100 to 499 workers	13	87
500 workers or more	11	89

Note: All workers participating in medical plans = 100 percent.

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Statistics (BLS) publications “*National Compensation Survey: Employee Benefits in the United States, March 2010*,” available online at <http://www.bls.gov/ncs/ebs/benefits/2010>, and *National Compensation Survey: Health and Retirement Plan Provisions in Private Industry in the United States, 2009*,” available online at <http://www.bls.gov/ncs/ebs/detailedprovisions/2009>.

### HDHP participation in medical care plans

In 2009, 15 percent of all private industry participants in medical care plans had coverage in an HDHP. Participation in HDHPs can vary by certain worker characteristics. For

example, 16 percent of nonunion workers participate in high deductible health plans, compared with 5 percent of union workers. More full-time workers participated in HDHPs than their part-time counterparts (15 percent compared with 7 percent). There is also higher HDHP participation in smaller establishments: 18 percent participation was reported in establishments with 1 to 49 workers. In comparison, only 11 percent participation was reported for private industry workers in establishments with 500 workers or more. (See table 1.)

### Comparisons with standard plan deductibles

In 2009, the median deductible for individual coverage in a high

deductible health plan was \$1,600, compared with \$400 for traditional deductible health plans. (See table 2.) For 2011, the IRS has set the minimum HDHP deductibles at \$1,200 for individual coverage and \$2,400 for family coverage.

In 2009, the HDHP deductible was \$1,000 for the lowest 10 percent and \$3,000 for the highest 10 percent, for all private industry workers. The median deductible for full-time workers was \$1600, compared with \$2,000 for part-time workers. Union worker HDHP deductibles tended to be similar or slightly higher than their nonunion counterparts. The top 25 percent of wage earners had a median HDHP deductible of \$1500 compared with a median deductible of \$2000 for

TABLE 2

### Medical care annual deductibles in high deductible health plans and traditional (non-high deductible) health plans, private industry workers, 2009

Characteristics	Percentile									
	10th		25th		50th (Median)		75th		90th	
	High-deductible plan	Traditional deductible plan								
<b>Worker characteristic</b>										
All workers	\$1,000	\$200	\$1,250	\$250	\$1,600	\$400	\$2,000	\$600	\$3,000	\$1,000
Full time	1,000	200	1,250	250	1,600	500	2,000	650	3,000	1,000
Part time	1,000	200	1,500	250	2,000	300	2,000	500	2,500	750
Union	1,100	150	1,250	200	2,000	300	2,500	300	2,750	500
Nonunion	1,000	200	1,250	250	1,600	500	2,000	750	3,000	1,000
<b>Average wage category:</b>										
Lowest 25 percent	1,200	200	1,500	300	2,000	500	2,300	750	3,000	1,000
Second 25 percent	1,000	200	1,500	300	2,000	500	2,500	750	3,000	1,000
Third 25 percent	1,000	200	1,250	250	1,500	400	2,000	650	2,750	1,000
Highest 25 percent	1,000	150	1,200	250	1,500	300	2,000	500	2,500	1,000
<b>Establishment characteristic</b>										
1 to 99 workers	1,000	200	1,500	300	2,000	500	2,000	1,000	3,000	1,000
1 to 49 workers	1,100	200	1,500	300	2,000	500	2,000	1,000	2,750	1,000
50 to 99 workers	1,000	250	1,200	275	2,000	500	2,000	1,000	3,000	1,000
100 workers or more	1,000	150	1,200	250	1,500	300	2,000	500	2,750	750
100 to 499 workers	1,000	150	1,250	250	1,500	300	2,500	500	3,000	750
500 workers or more	1,000	150	1,100	250	1,500	300	1,800	500	2,500	750

Note: Estimates for traditional health plans include only plans with a deductible.

workers in the lowest 25 percent of wage earners.

In traditional deductible health plans, including fee-for-service (FFS) plans and health maintenance organizations (HMO), 77 percent of workers have an annual deductible, and 23 percent do not. For traditional health plans, private industry employee deductibles at the lowest 10 percent were

\$200 and \$1000 for the highest 10 percent. Median deductibles were \$500 for full-time workers and \$300 for part-time workers. Lower wage and nonunion workers showed higher deductibles than higher wage and union workers. Traditional deductible health plans are still considerably more popular than HDHPs, perhaps due to lower deductibles and broader levels of coverage in preventative care.

However, HDHP plans are increasing in popularity, according to annual access data available for HSAs.

### Health savings accounts

HSAs are medical savings accounts that help employees to set aside money (2011 IRS limits are \$3,050 for single coverage and \$6,150 for family coverage) on a tax-free basis to pay for qualified medical ex-

**Access to a benefit plan.** An employee has access to a benefit plan if it is an option available for use. For example, if an employee can participate in a medical care plan offered by the employer, he or she is placed in a category with those having access to medical care, regardless of whether he or she chooses to participate.

**Deductible.** The deductible is the amount of covered expenses that an individual or family must pay before any charges are paid by the medical care plan. Deductibles that apply separately to a specific category of expenses, such as deductible for each hospital admission, were excluded.

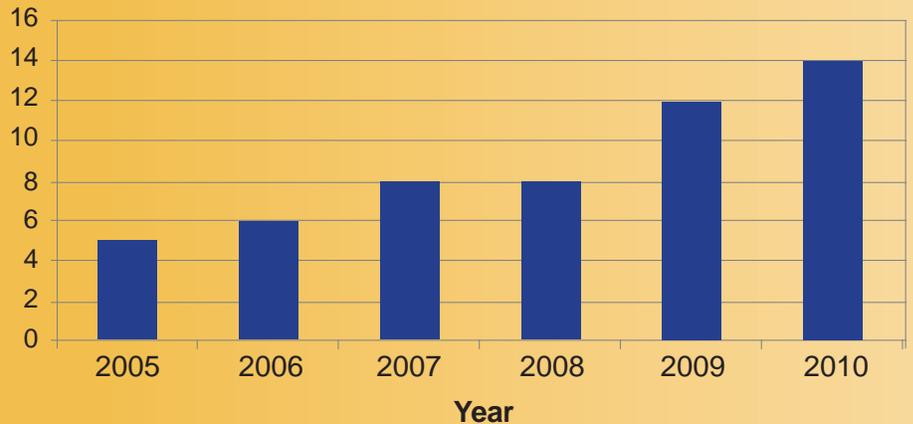
**Health savings accounts (HSAs).** Accounts owned by employees and used to pay for medical expenses with tax-exempt contributions. HSAs are used in combination with employer-provided high-deductible health plans (HDHPs) with annual maximum limits on out-of-pocket and deductible expenses. Other features include tax-free interest and the rollover of unused contributions from year to year.

**High deductible health plans.** A high deductible health plan (HDHP) is a health plan that typically has a higher deductible and lower premiums than a traditional health plan. Normally the plan includes catastrophic coverage to protect against large medical expenses, but the insured is responsible for routine out-of-pocket expenses.

**Traditional fee-for-service plan.** This type of plan finances, but does not deliver, health care services; the plan allows participants the choice of provider. Employers pay premiums to a private insurance carrier to provide a specific package of health benefits. Some employers may choose to self-fund a fee-for-service plan, in which case the employer, as opposed to an insurance company, assumes responsibility for payment of all eligible benefits.

CHART 1

Percent of private industry workers with access to health savings accounts, 2005–2010, in percent



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penses. An HSA is only available if the employee is also enrolled in an HDHP. HDHPs and HSAs are frequently used in combination to help cover preventative health care expenses. HSA contributions are allowed to be accumulated if not completely spent in a calendar year. In 2005, 5 percent of private industry workers had access to an HSA; in 2010, access increased to 14 percent of workers. (See chart 1.) Full-time, higher wage work-

ers (highest 25 percent of wage earners) and workers in establishments with 100 workers or more had higher access to HSAs than part-time, lower wage workers (lowest 25 percent of wage earners) and establishments with fewer than 100 workers. The combination of HDHPs and HSAs are proving to be an important lower cost option to help both employers and employees get a handle on increasing health care costs. ●

**The next *Program Perspectives* will feature defined-contribution plan investment choices.**

*For additional assistance on benefits, contact one of our information offices:*

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