ebri.org
Employee Benefit
Research Institute

News from EBRI

1100 13th St. NW • Suite 878 • Washington, DC 20005
(202) 659-0670 • www.ebri.org • Fax: (202) 775-6312

FOR IMMEDIATE RELEASE: July 16, 2013

Contact: Stephen Blakely, EBRI: 202/775-6341, blakely@ebri.org
Paul Fronstin, EBRI (author): 202/775-6352, fronstin@ebri.org

New Research from EBRI:

HSA Shift Leads to Sustained Reduction in Health Care Spending

WASHINGTON—A high-deductible health plan linked with health savings accounts reduced health spending initially, and over a four year period, according to new research from the nonpartisan Employee Benefit Research Institute (EBRI).

In one of the first studies of its kind, EBRI analyzed detailed claims data over a five-year period from a large Midwestern employer that adopted a high-deductible health plan with a health savings account (HSA) for all employees in place of its traditional health care offering. EBRI found that introducing the full-replacement HSA plan (meaning it was the only type of health plan the employer offered) reduced the plan's total health care spending by 25 percent in the first year, or $527 per person in the aggregate.

"Results show that spending was reduced significantly in the inaugural year of the HSA plan in medical, pharmacy, and total-claims categories," said Paul Fronstin, director of EBRI's Health Education and Research program, and a co-author of the report. "Results also show the cost savings continued over the succeeding three years—albeit at a slower pace."

Among the key findings:

- Each category of health spending experienced statistically significant reductions in the first year of the HSA plan with the exception of spending on inpatient hospital stays. Spending on laboratory services and prescription drugs had the largest statistically significant declines (36 percent and 32 percent, respectively).

- However, only pharmacy and laboratory spending were statistically significantly lower throughout the entire four years after the HSA plan was adopted.

- Reductions in pharmacy spending were large and mostly sustained over the four years after the HSA was adopted. In the first year of the HSA, pharmacy-spending reductions were 40–47 percent for individuals in all but the highest quintile of spending.

Health insurance coverage with high deductibles (generally in excess of $1,000 for singles and twice that for families) is generally associated with savings-account options that can be used to cover out-of-pocket costs for health care services. These are often referred to as consumer-directed health plans (CDHPs), which include health savings accounts (HSAs), , which are offered by employers, owned by employees, designed, and effectively controlled by the U.S. government, and tax advantaged.

The EBRI report notes that employers have now been using CDHPs for over a decade. In 2012, 22 percent of smaller employers, 36 percent of larger employers, and 59 percent of jumbo employers offered some form of a CDHP, and nearly 1 in 5 workers were enrolled in one.

While this study represents one of the longest observation periods reported with a full-replacement CDHP, and it is one of the few studies with a matched control group, Fronstin notes that the findings are necessarily generalizable to broader populations, in that it is based on the experience of a single employer, and focused on workers with continuous plan eligibility during the study period.

Full results are published in the July *EBRI Issue Brief*, "Health Care Spending after Adopting a Full-Replacement, High-Deductible Health Plan With a Health Savings Account: A Five-Year Study," available online at www.ebri.org The report's co-author is M. Christopher Roebuck of RxEconomics.

The Employee Benefit Research Institute is a private, nonpartisan, nonprofit research institute based in Washington, DC, that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. The work of EBRI is made possible by funding from its members and sponsors, which includes a broad range of public, private, for-profit and nonprofit organizations. For more information go to www.ebri.org or www.asec.org

###