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New Research from EBRI:

Premiums the Big Factor in Health Plan Choice

WASHINGTON—For employers looking to drive more workers to sign up for HSA-eligible health plans, one of the biggest financial incentives they can offer is to reduce or even eliminate the annual premiums, according to new findings by the nonpartisan Employee Benefit Research Institute (EBRI).

Looking at administrative data from the health plans of two large employers from 2011 to 2014, EBRI examined the extent to which financial incentives, such as \$0 premiums, encouraged enrollment in an HSA-eligible health plan, and whether the incentives affected risk selection in the plans.

“Clearly, workers and their families are highly sensitive to health insurance premiums,” said Paul Fronstin, director of EBRI’s Health Research and Education Program, and co-author of the report. “Understanding what drives enrollment in HSA-eligible health plans is important to plan sponsors, since enrollment in these plans is expected to grow.”

Key insights from the analysis:

- **Health insurance premiums are a major driver of plan choice.** After eliminating employee premiums for all coverage tiers, HSA-eligible health plan enrollment increased from 4 percent to 25 percent among individuals with employee-only coverage and from 2 percent to 31 percent among individuals with family coverage.
- **Healthier-than-average employees are enticed by \$0 premium for an HSA-eligible health plan.** Offering coverage with no payroll deduction attracted individual enrollees who were marginally healthier than those who would have enrolled without this financial incentive in place, therefore not mitigating adverse selection as anticipated.

The analysis did not find strong evidence that suggests the positive risk selection routinely reported in HSA-eligible health plan enrollment was moderated by eliminating the premium. While there is weak evidence that prior users of health care services were more likely to enroll in the HSA-eligible health plan as a result of the elimination of premiums, for the most part, the findings are to the contrary. In summary, the financial incentive drew new individuals and families into the HSA-eligible health plan who were on average healthier than those who would have entered without the incentive in place.

The full report is published in the July 12, 2017 *EBRI Issue Brief*, “The Impact of Offering Free Coverage on Enrollment Choice and Risk Selection in an HSA-Eligible Health Plan,” available online at www.ebri.org

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