

## **Insurers Dispute Claims That Consumer-Driven Health Plans May Worsen Americans' Debt**

OLDWICK, N.J. January 09 (BestWire) — Consumer-driven health plans may compound the problem of Americans' rising medical debt, critics contend, but industry experts say those predictions are exaggerations and that the plans are making health insurance more affordable for key segments of the U.S. uninsured population.

Among the biggest criticisms of some CDHPs are that more people will wind up with medical bills and medical debt and forgo needed medical care, said Michelle M. Doty, a senior analyst with the Commonwealth Fund, an organization that supports independent research on health-care issues.

These high-deductible health insurance plans are described as consumer-driven because employees pay for a greater portion of their health costs directly, instead of the insurer, and therefore may have a financial incentive to cut their spending. The most common CDHPs are those linked to a health reimbursement arrangement or a health savings account, created in December 2003 with the Medicare Modernization Act. These tax-favored accounts are tied to plans with at least a \$1,000 deductible for single coverage or at least a \$2,000 deductible for family coverage.

The funds may be rolled over from year to year, and unlike HRAs, HSA funds belong to the employee instead of the employer.

According to a report on medical debt the fund released in August 2005, inadequate health insurance coverage and the high cost of health care are jeopardizing many Americans' financial security. Nearly two of five, or 37%, of adults ages 19 and older — a population estimated at 77 million — struggle with medical bills, have recent or accrued medical debt, or both, the report showed. Sixty-three percent of those reporting medical bill problems or medical debt skipped needed care because of the cost, compared with 19% of adults without medical bills or debt.

The report also found that insured adults with less comprehensive health coverage are more likely to face medical bill or debt problems than those with more comprehensive coverage.

"Even though people are insured, they are starting to look more...like uninsured people because of the types of plans that they have," said Doty, who noted that CDHPs with HSAs are "not great" for people with low incomes or chronic health problems.

The president of a California-based consumer-directed health program disagreed.

To have a qualified HSA plan, the government has set limits on members' out-of-pocket expenses: \$5,000 for single coverage and \$10,000 for a family in 2005, said James C. Phillips, president and chief executive officer of Veritas Health Systems. "It is not as if a member will be out of pocket of \$75,000 or \$100,000 as some critics of HSAs leave you to believe," he said. "With most traditional health plans, the max out of pocket a member could have is not that much less than the HSA plans, and sometimes it is more."

Phillips acknowledged that \$5,000 out of pocket could negatively impact lower-income people, "but they have about that much now for a worst case medical situation. When you add the extra amount it will cost out of your paycheck to have a traditional health plan, it is almost a wash."

EHealthInsurance, which calls itself the largest U.S. health insurance broker for individuals and families, conducted a study on HSAs for the first six months of 2005. Premiums for health insurance plans sold to individuals and families as part of an HSA program dropped an average of \$29 a month, the study found.

"After four consecutive years of double-digit health increases in health insurance premiums overall, the more affordable HSA program will continue to be an increasingly popular option for consumers," said Gary Lauer, CEO of eHealthInsurance, in a statement.

Indeed, several major health insurers are seeing growth in the individual health market, as small employers take less of a role in providing health insurance for their employees.

There was a modest shift toward plan buyers in lower income levels, eHealthInsurance also found. The percentage of HSA-eligible plan buyers with incomes at or below \$50,000 rose by 2.5 percentage points from the prior year. EHealthInsurance also found that the percentage of HSA-eligible plan buyers with incomes of \$15,000 or less who previously were uninsured increased 5.1 percentage points to 49.5%.

Another industry executive, though, warned about CDHPs' financial pitfalls.

"An employer is...going to buy a high-deductible plan," said Samuel H. Fleet, president and CEO of National Employee Benefit Cos., a wholesale brokerage and third-party administrator. "They are going to shift the cost to Joe Sixpack. Joe Sixpack goes and breaks his toe in a softball game. He goes to an emergency room and he's got a \$3,000 bill. He doesn't have an HSA to pay for the bill. What happens?"

Depending on how they are structured, certain CDHPs may compound the medical-debt problem, Doty said.

Dr. Jeffrey Kang, chief medical officer for Cigna HealthCare, a unit of Cigna Corp. (NYSE: CI), said CDHPs, from Cigna's perspective, aren't about cost shifting but rather are "a mechanism to create positive incentives for better health."

Meanwhile, gearing up for the boom in CDHPs the industry expects in 2006, nearly all the major health insurers already have partnered with banks to help administer the HSAs tied to their CDHPs. And UnitedHealth Group (NYSE: UNH) is the only health insurer to have chartered its own bank — Exante Bank (BestWire, Dec. 19, 2005).

New York's Empire Blue Cross Blue Shield, a unit of WellChoice Inc., which recently was acquired by WellPoint Inc. (NYSE: WLP) is offering the American HealthPay Plus HSA payment card along with its CDHP. The HSA from American Express Bank may be accessed by Empire Total Blue members with the American Express payment card. Starting in early 2006, Empire members can "swipe" their cards at participating providers' offices after receiving qualified services, with Empire and American Express handling the payment and claim-adjudication process.

In addition, eligible Empire members who are approved for the optional HealthPay Plus credit line can use funds from it to pay deductibles and other expenses before the HSA is fully funded to help cover costs that may exceed their HSA balance, Empire said. The HealthPay Plus Card may be used only for qualified medical expenses.

Jason Gorevic, newly named president of WellPoint's New York market and formerly Empire Blue's senior vice president, chief sales and marketing officer, said the Empire product addresses some of the barriers with CDHPs. The Empire HSA with the HealthPay Plus Card from American Express "helps consumers adopt a high-deductible plan by providing a credit line consumers can choose to use to fund their deductible," he said.

The product is unique, because members can configure their cards to pull money from the HSA first or from the credit line first, Gorevic said.

The credit line also can be valuable to a member who wants to invest the HSA money, and so

accesses the credit line for the deductible, paying the balance every month and preserving HSA funds in an investment vehicle for future medical expenses, Gorevic added.

The fund's Doty, however, said that credit lines, in general, are problematic. "Having a credit line is just another way of saying 'medical debt,'" she said.

(By Fran Matso Lysiak, senior associate editor, BestWeek: [fran.lysiak@ambest.com](mailto:fran.lysiak@ambest.com))