

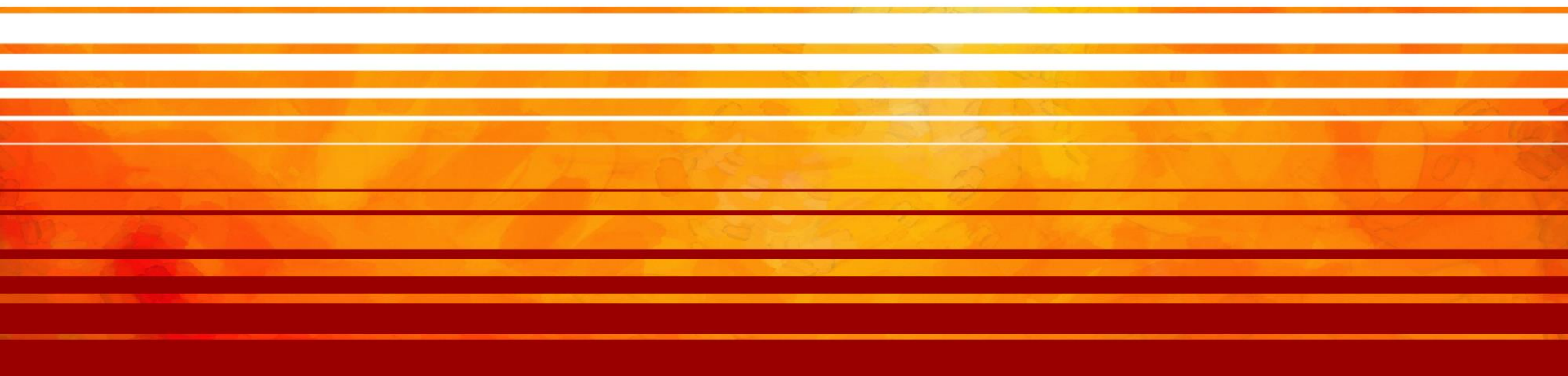
USC Schaeffer

Leonard D. Schaeffer Center
for Health Policy & Economics

High Deductible Health Plans

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Overview

- **What are high deductible health plans (HDHPs)?**
- **How do HDHPs affect health care costs?**
- **Who selects HDHPs & what are the implications for plan offerings?**
- **What are the effects on consumer behavior?**
 - Preventive care
 - Prescription drug use
 - Emergency room and inpatient costs
 - Price shopping

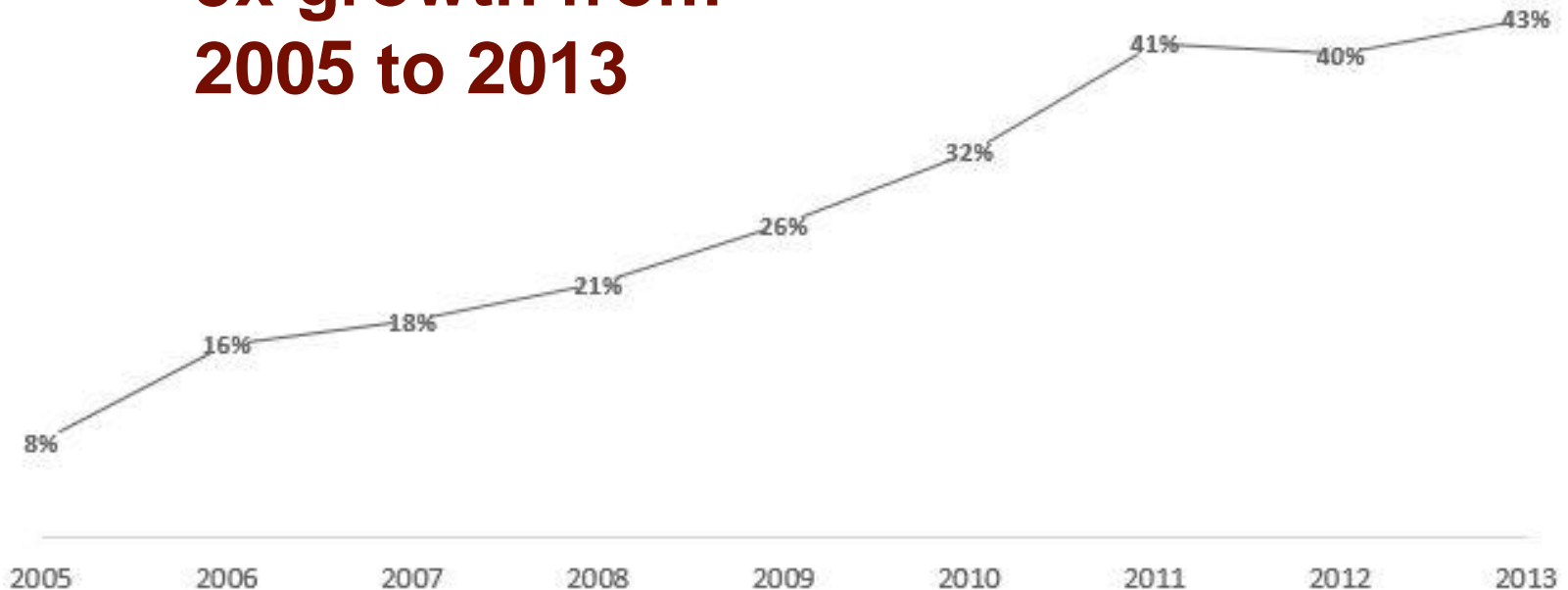
What are High Deductible Health Plans (HDHPs)?

- **Health insurance plans with a high deductible and are typically associated with a tax free health savings account**
 - **Both enrollees and employers can make contributions to the account**
- **Implications for out of pocket costs**
 - **Consumers have to pay more out of pocket for health care before insurance begins covering costs**
 - **Lower premiums**
- **Attractive for healthy consumers who have low expected health care use**

HDHPs are becoming increasingly popular

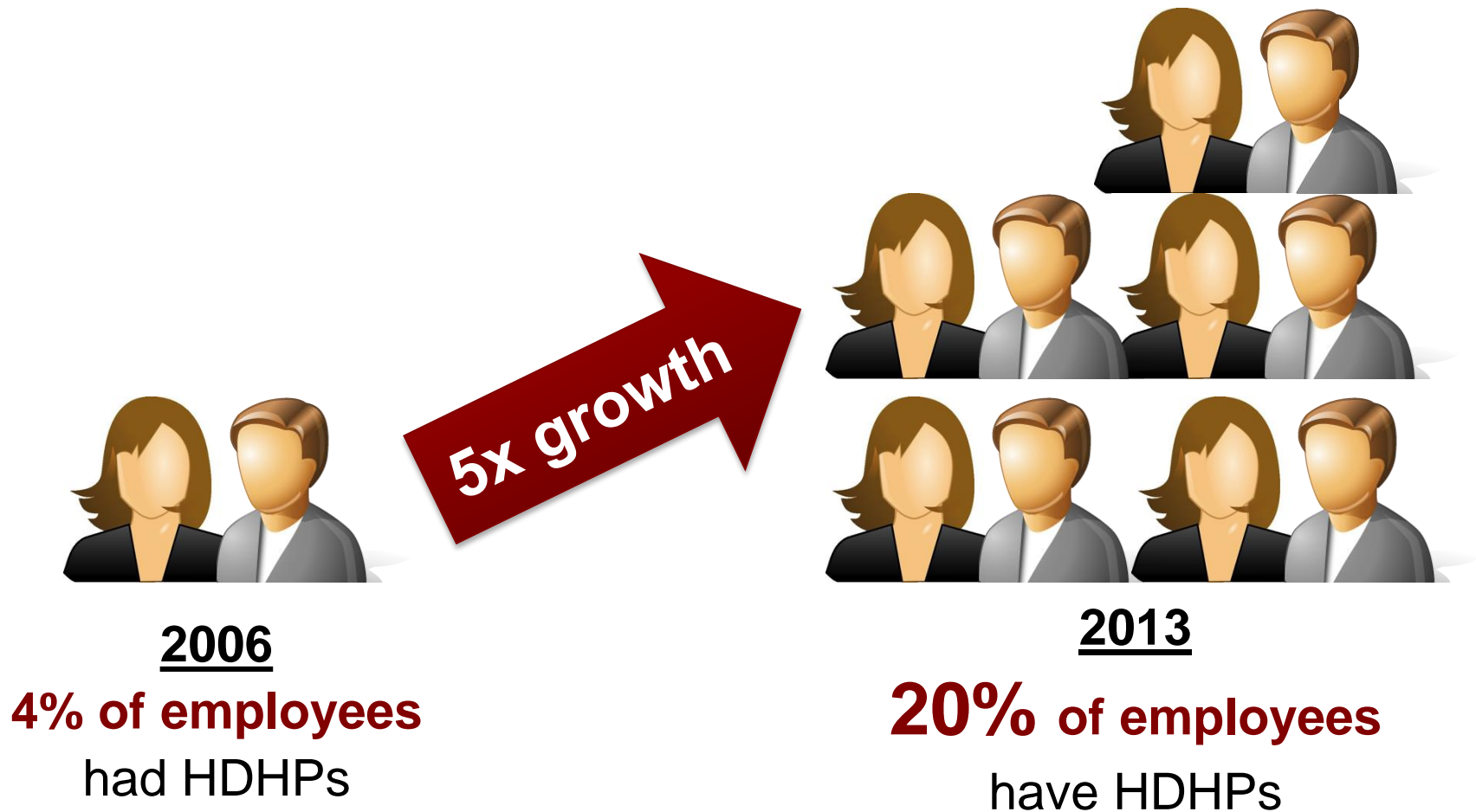
- Fraction of large employers offering HDHP's has increased rapidly

**5x growth from
2005 to 2013**



Source: Kaiser/HRET Survey of Employer Sponsored Health Benefits

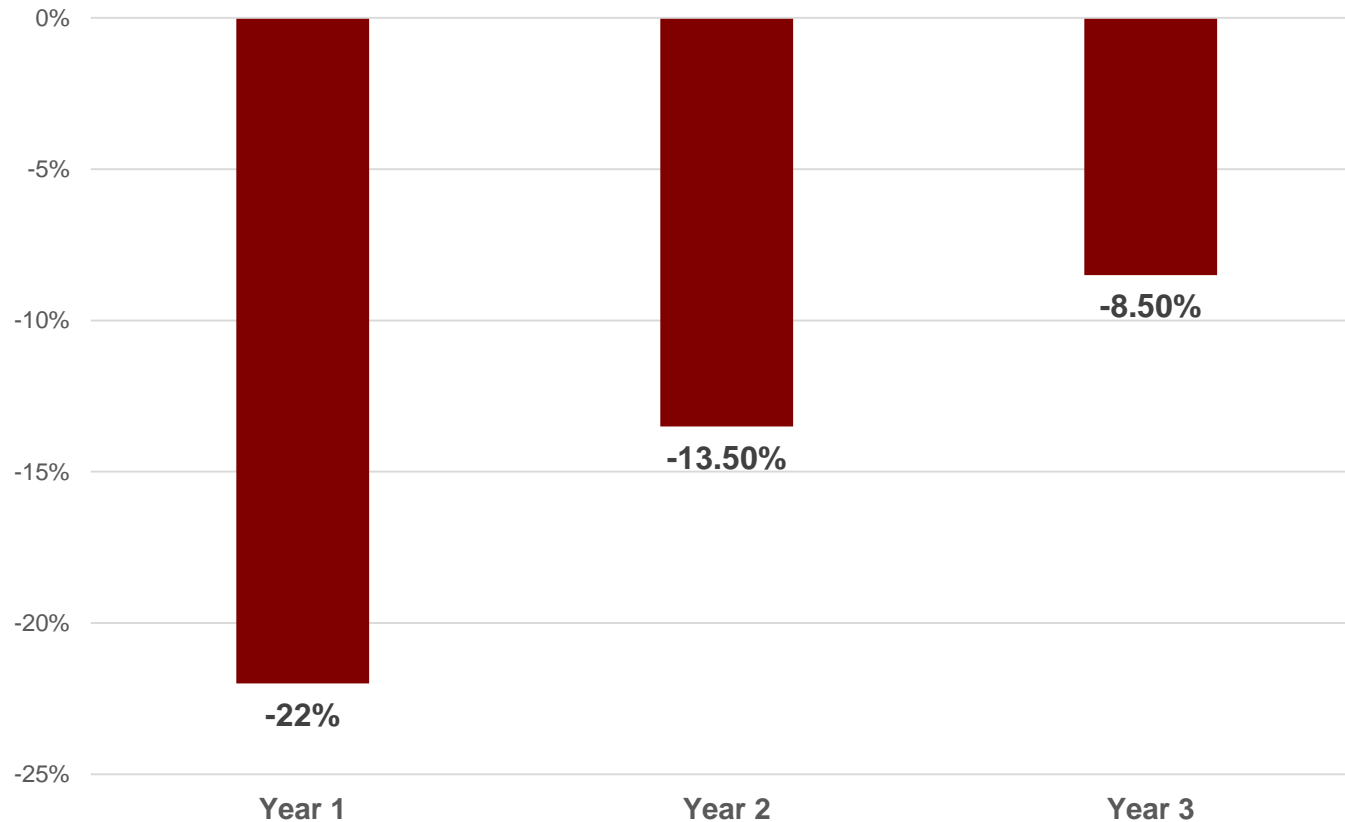
5x increase in enrollment too



Source: Kaiser/HRET Survey of Employer Sponsored Health Benefits

HDHPs reduce health care costs

Short and Long Run Cost Decrease
High Deductible vs Traditional Plan



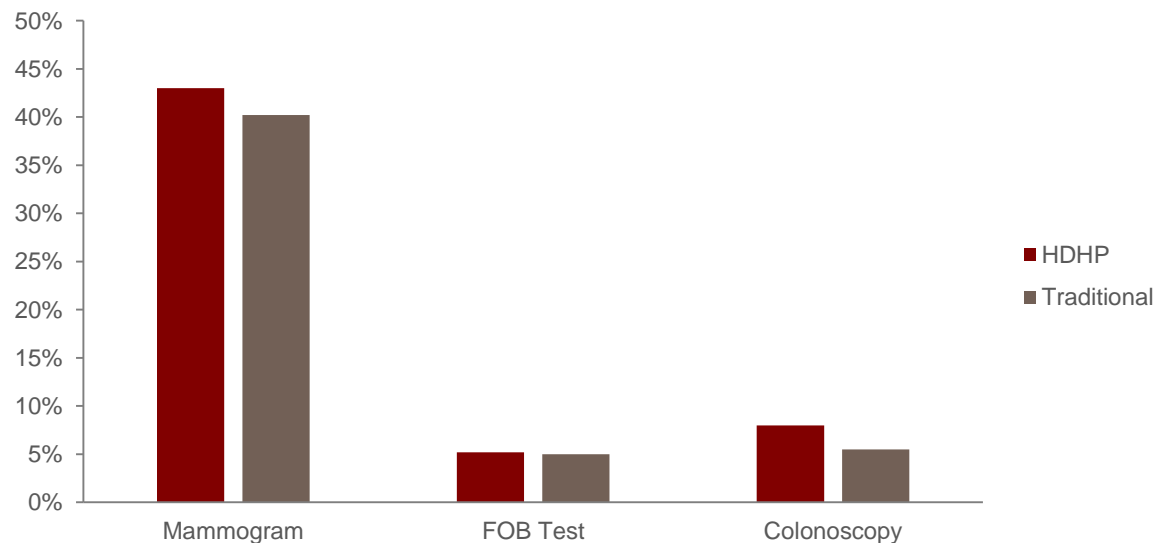
Healthier patients select HDHPs which could raise traditional plan premiums

- **HDHPs have lower premiums but higher out of pocket costs at point of service**
- **This makes HDHPs more favorable for healthy people**
 - **Research has shown that people who choose HDHPs had about 25% lower costs before switching**
- **This favorable selection into HDHPs could cause traditional plan premiums to rise**
 - **Traditional plan premiums are predicted to rise by roughly 5%**
- **Favorable selection in HDHPs could be mitigated by:**
 - **Higher employer contributions to health saving accounts**
 - **Increasing premium savings from enrolling in HDHPs**

HDHPs do not reduce preventive care use

- HDHPs typically carve out preventive care such as cancer screenings
- Previous research showed modest decline in use of preventive care one year after enrollment in HDHPs
- But our study of long term effects shows little or no difference in cancer screening rates between HDHP and traditional plan enrollees

Screening Rates Over Three Post Years Conditional on Not Screening in the Pre-Year



HDHPs reduce use of medications for chronic illness

- **HDHP enrollees can lower prescription drug costs by:**
 - **Stocking up before switching,**
 - **Using lower cost alternatives such as generics**
 - **Reducing use or days supply**
- **We find that reduced use accounts for majority of cost savings**
- **HDHP enrollees reduce use of statins, antihypertensive and diabetes drugs by about 7.5%**
- **When prescriptions are exempt from the deductible, drug utilization is also reduced but not by as much**
 - **Reduction in use was roughly half for Rx exempt HDHPs than HDHPs that were not exempt**

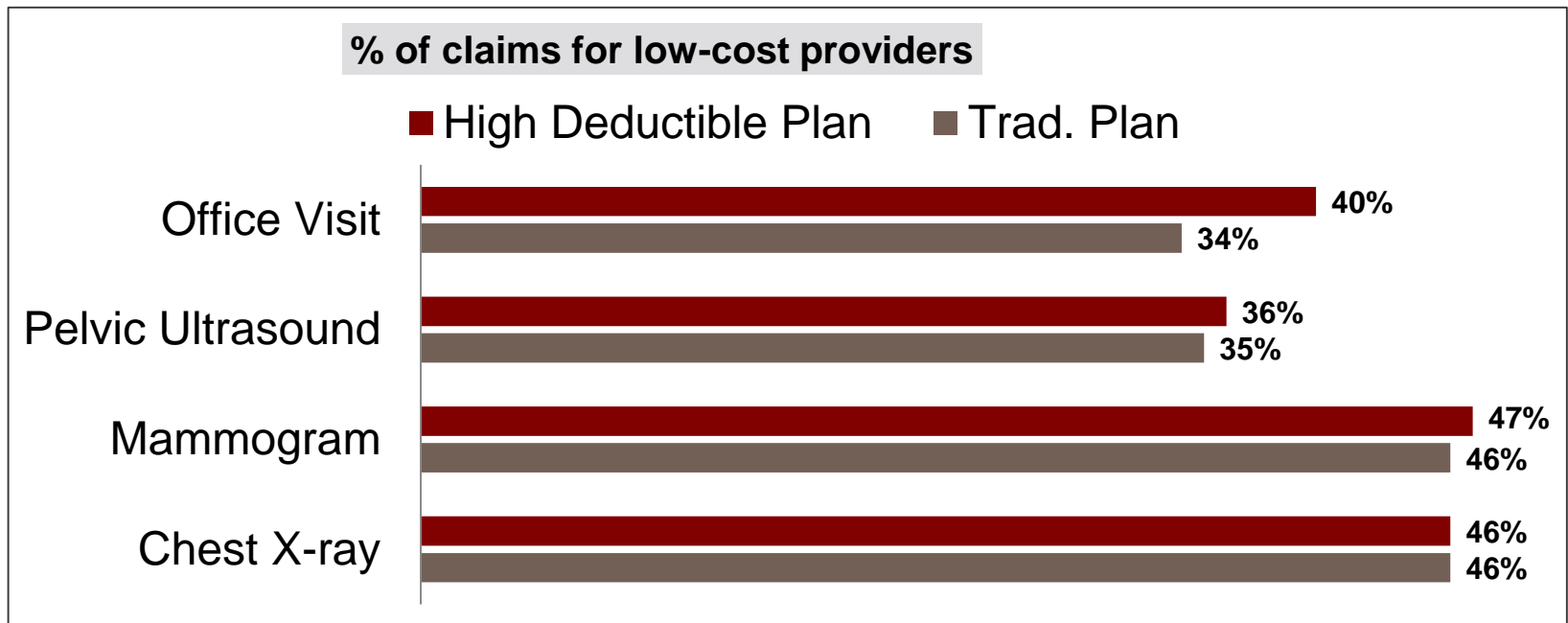
Source: Huckfeldt, P.J., Haviland, A., Mehrotra, A., Wagner, Z., Sood, N. (2015) Patient Responses to Incentives in Consumer-directed Health Plans: Evidence from Pharmaceuticals. NBER Working Paper No. 20927

HDHPs do not increase ER visits and inpatient costs

- **Higher deductibles might mean that people forgo needed care increasing ER and inpatient costs**
- **We find evidence that outpatient and drug costs decreased in the first three years after switching to HDHP**
- **However, we find little evidence of increase in inpatient costs and ER visit costs**

HDHPs are not associated with price shopping

- Price shopping is when consumers search for lower cost health care providers
- There is little to no evidence of increased price shopping for HDHP enrollees

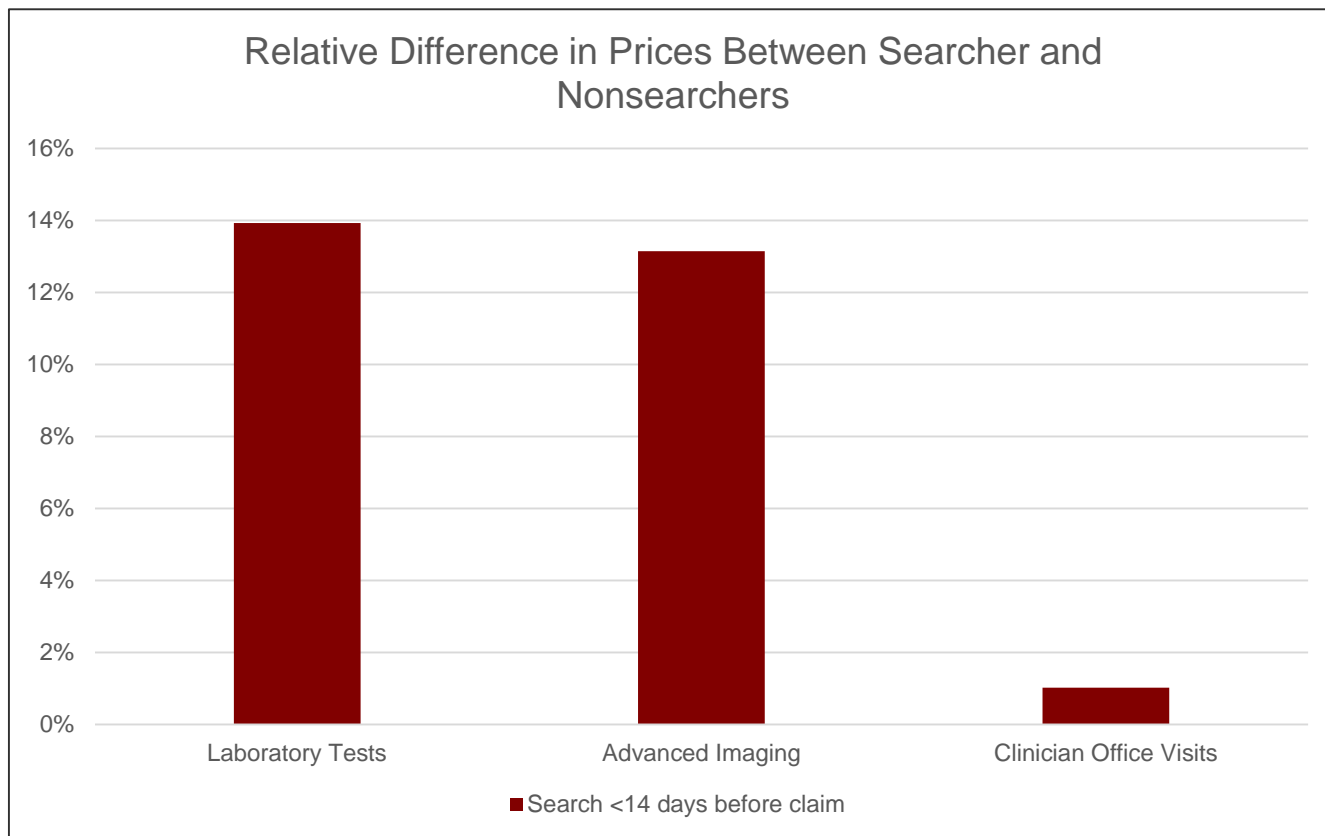


Source: **Neeraj Sood, Zachary Wagner, Peter Huckfeldt and Amelia Haviland** (2013) "Price Shopping in Consumer Directed Health Plans," *Forum for Health Economics and Policy*, 16(1) pp 1-19.

Low-cost provider is defined as a provider whose price was in the lowest tercile of prices available to employees in market.

Use of price transparency tools leads to lower claims payments

- **We find that when consumers have access to prices, they choose lower cost services**



Whaley C, Schneider Chafen J, Pinkard S, et al. Association Between Availability of Health Service Prices and Payments for These Services. *JAMA*. 2014;312(16):1670-1676. doi:10.1001/jama.2014.13373.

Conclusions...

- **Pros**
 - Several large employers offer HDHPs
 - Evidence that HDHPs lower health care costs
 - Little or no evidence of increase in ER or inpatient costs
 - Little or no evidence of decline in use of preventive care
- **Cons**
 - Modest increase in premiums for traditional plans due to favorable selection
 - Reduction in use of medications for chronic illness
 - Little or no evidence of price shopping
- **The cons can be mitigated by:**
 - Higher employer contributions to health saving accounts
 - Higher premium savings of enrolling in HDHPs
 - Carving out Rx benefits
 - Offering online tools to engage consumers and enable value based decisions

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