Key Considerations for You and Your Members About Utilizing Services in HDHPs*
MEMBER HEALTH CARE COSTS ARE RISING, FUELED IN PART BY INCREASING DEDUCTIBLES

In just 5 years, deductibles have risen nearly 6 times as fast as wages

Cumulative increases in health premiums, deductibles, inflation, and workers’ earnings

More than half of members across all types of plans now face a deductible of $1000 or more

Percentage of employees with an annual deductible ≥$1000

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**Footnotes:**


*Annual deductible for individual coverage.

*These estimates include workers in small firms (3-199 workers) and large firms (≥200 workers) who are enrolled in HDHP/savings option (SO) and other plan types. Average general annual health plan deductibles for preferred provider organizations, point-of-service plans, and HDHP/SO are for in-network services. Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2009-2016.*
THE PERCENTAGE OF MEMBERS IN HDHPs HAS INCREASED CONSIDERABLY

The percentage of employers turning to HDHPs has more than doubled over the past decade.

Employers offering HDHPs

- This growth is expected to continue
- By 2018, almost half of employers expect to offer an HDHP as the ONLY option

As a result, nearly 30% of covered workers are enrolled in plans with high deductibles.

Percentage of covered workers enrolled in an HDHP/HRA or HSA-qualified HDHP, 2006-2016

- HSA-qualified HDHP
- HDHP/HRA

HOW MANY OF THESE MEMBERS COMPLETELY UNDERSTAND HOW THEIR HDHP AND DEDUCTIBLES WORK?

HRA = health reimbursement arrangement; HSA = health savings account.
Your members may lack the health literacy skills needed to make the best choices when selecting and using their benefits

Less than 10% of adults have a full understanding of basic insurance concepts

- **62%** Knew the correct meaning of the term *health care premium*
- **62%** Recognized the correct definition of the term *health plan deductible*
- **36%** Knew the meaning of the term *out-of-pocket maximum*
- **32%** Had a good understanding of the term *coinsurance*


An even smaller proportion of HDHP members have a solid grasp of their deductible plan

![Graph showing the percentage of HDHP members who knew their plan included a deductible, which specific services were included or excluded, and whether they knew the deductible amount. In 2005, only 5% of newly enrolled HDHP members knew their plan had a deductible, knew their deductible amount, and knew which services applied to the deductible.]

Source: BMC Health Services Research, telephone survey of 458 employees enrolled in a range of deductible-based plans through a large-group employer, 2005.
THERE IS A GREAT DEAL OF CONFUSION ABOUT HDHPs

Your members may not have a good understanding of how HDHPs work

How knowledgeable are employees about HDHPs?

- Very: 15%
- Somewhat: 28%
- Not very: 24%
- Not at all: 33%

Only 15% of employees say they are very knowledgeable about HDHPs.

Although some employees think HDHPs are affordable and are a good value, others think HDHPs are:

- Risky
- Confusing
- Overly complicated
- Intimidating
- Disappointing

Source: Harris Poll, online survey of 2105 full-time employees eligible for company-provided benefits, 2016.

WHAT COULD THE CONSEQUENCES BE WHEN EMPLOYEES OPT FOR A PLAN THEY DON’T UNDERSTAND?
THE MAJORITY OF HDHP MEMBERS ARE ALSO NOT SURE HOW TO OPTIMIZE THEIR HSAs

Many employees are setting aside too little money in HSAs to cover OOP costs for routine health care and medication needs

A survey of more than 400,000 HSA holders showed9,*:

Most employees are not contributing enough to their HSA to pay their OOP costs:

- Almost 50% of employers contributed more money to their employees’ HSAs than did the employees themselves
- The median employee contribution was $700
- Only 5% of employees contributed the maximum amount allowed by the IRS

Even when they do contribute, they’re not investing their funds

- Only 4% of employees able to invest their HSA money chose to do so

*Based on data (dating from 2013) from UMB Bank, one of the largest HSA administrators in the United States.

In a 2016 national online survey of covered employees10:

Only 2 in 5 full-time employees said they had the funds available to pay a $3000 OOP medical expense.


OOP=out-of-pocket.
Consider Michelle’s Story*

HOW SWITCHING TO AN HDHP AFFECTED A MEMBER WITH MULTIPLE SCLEROSIS (MS)

Last year

Michelle had been enrolled in her company’s PPO
- Michelle is an unmarried 37-year-old employee with a long tenure
- Under her company’s PPO, her MS medication co-pay was $100/month, and her neurologist office visit co-pay was $25

This year

Michelle switched to an HDHP to take advantage of a lower premium
- Michelle’s new HDHP has a $1500 deductible for individual coverage
- Her employer contributed $500 to her HSA, but Michelle did not contribute additional funds

Impact

How has switching to an HDHP affected Michelle’s health care decisions?
- At first, Michelle did not fully understand how the HDHP worked. When she refilled her monthly MS prescription for the first time under her new plan, she was shocked to learn that she’d have to pay $1500
- Even with $500 in her HSA, she was not prepared to pay the additional $1000 for her medication that month
- Michelle stopped taking her medication, and she also decided to skip her next neurologist visit

*Fictional case; for illustrative purposes only.

COULD YOU HAVE A MICHELLE AMONG YOUR MEMBERS?

PPO=preferred provider organization.
HDHP MEMBERS MAY NOT BE GETTING THE CARE THEY NEED

While HDHPs are designed to promote consumerism, most individuals are not comfortable shopping for health care services, regardless of plan type.

58% say that shopping for health care services is extremely challenging.\(^{11}\)

48% don’t know how to shop for the best value, because it’s very difficult to predict OOP costs for large purchases.\(^{11}\)


In a 2008 survey of families with chronic conditions:\(^{12}\)

Adult HDHP members reported that they were more likely to delay or forgo care due to cost than adults in traditional health plans:

- ED visits: \(> 1.5x\) as likely
- Acute visits: \(> 2x\) as likely
- Checkups: \(> 2.5x\) as likely
- Chronic-care visits: \(> 3x\) as likely
- Tests: \(> 9x\) as likely

Source: Cross-sectional telephone/mail survey of families with chronic conditions in HDHPs and traditional plans, 2008.

ED = emergency department.
LOW HEALTH LITERACY MAY COMPOUND THIS BEHAVIOR

Members with a limited understanding of how deductibles work may not take advantage of free or low-cost preventive care

HDHP members with a more limited understanding of deductibles reported that they were more likely to delay or avoid care than those with a greater understanding. Less than 20% of HDHP members understood that preventive office visits and tests were exempt from their deductible.

Source: Mail/telephone survey of 456 Kaiser Permanente Northern California subscribers enrolled in an HSA-qualified HDHP through their small-group employer, 2008.

69% of Americans say that deciphering health care jargon is a significant barrier to making health care decisions.
EVEN HIGH-WAGE HDHP MEMBERS DELAY OR FORGO NEEDED CARE

Some newly enrolled HDHP members with adequate HSA funds to cover their deductible failed to get needed care. A self-insured employer with approximately 160,000 covered lives switched from a plan that provided free medical care (no cost sharing) to a full-replacement HDHP with an HSA. Employees received a subsidy in their HSAs that was equal to their deductible amount. Median income was $125,000 to $150,000.

Results

- In the first year after the switch (2012-2013), members cut back on utilization rather than use their HSA funds to cover OOP costs:
  - Across the full range of services, including those high in value in terms of health benefits and potential for avoiding future costs: 18% reduction
  - In preventive care: 10% reduction
  - In physician office visits: 18% reduction
  - In prescription drugs: 19% reduction
  - In overall utilization among the sickest member population: 20% reduction
HDHPs CAN DISCOURAGE UTILIZATION FOR MEMBERS WITH CHRONIC CONDITIONS, EVEN FOR PREVENTIVE CARE

Health care utilization has been shown to be low even among HDHP members with chronic conditions\(^1\),

- A national employer with 28,000 covered lives switched from offering 2 PPO plan options in 2004 to offering 2 full-replacement HDHP options with an HRA in 2005.
- In the first HDHP option, employees received enough funds in their HRA to cover 50% of their medical deductible.
- In the second HDHP option, employees received enough funds to cover 20% of their medical deductible.

Results

- For this study, 2 groups (PPO control and HDHP) were compared, each comprising members with a diagnosis of at least 1 chronic condition\(^2\).
- When compared with the PPO control group, the HDHP group had:
  - **36% reduction** in outpatient visits (vs 22% reduction)
  - **34% reduction** in laboratory and diagnostic services (vs 20% reduction)
  - **31% increase** in medication nonadherence across all observed disease states (vs 4% increase in medication adherence).

Even without a pharmacy deductible, members with chronic conditions were significantly less likely to be adherent with their medications after switching to an HDHP.

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\(^1\) Individuals selected for analyses in both groups had at least 1 outpatient visit, ED visit, or hospitalization in which the primary diagnosis was allergic rhinitis, asthma, arthritis, diabetes, depression, high cholesterol, acid reflux, or high blood pressure.

\(^2\) Medical utilization was measured by using the number of disease-specific ED visits, hospitalizations, outpatient visits, and laboratory or diagnostic visits for each member with corresponding ICD9 codes as a primary diagnosis. Medication adherence was defined as medication possession ratio (MPR). MPR is measured from the first to the last prescription; the denominator is the duration from index to the exhaustion of the last prescription, and the numerator is the days supplied over that period. Individuals were considered adherent if their overall MPR levels for a chronic disease were greater than 80%.

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**WHAT ARE THE POTENTIAL LONG-TERM RISKS TO THE HEALTH OF YOUR MEMBERS WHO MAY NOT SEEK THE CARE THEY NEED?**
MEMBERS WHO DON’T GET CARE NOW MAY NEED MORE HEALTH SERVICES LATER ON

HDHP members are delaying needed care or avoiding it altogether

In a 2016 national online survey of covered employees\(^{10}\)

![Image showing 1 in 3 HDHP members reported that they had:
- Skipped a doctor visit
- Avoided x-rays
- Avoided a blood test
- Delayed a recommended procedure/surgery
- Did not fill a prescription

Only 44\% of HDHP members believe they are doing a good job keeping up with routine doctors’ appointments and checkups\(^{\ast}\)

\(^{\ast}\)Compared with 50\% of employees with a traditional health plan.

Avoidance of medical and pharmacy care may ultimately lead to more ED visits

In a 2015 poll, 7 in 10 emergency physicians reported having seen insured patients who had delayed seeking medical care because of high deductibles and other OOP expenses.\(^{16,\ast}\)

In a recent study that examined the impact of a full-replacement HDHP on health services utilization over 5 years (2006-2010), employees who switched from a PPO to an HDHP\(^{17,\dagger}\):
- Reduced their outpatient physician visits and prescription drug fills in each of the 4 years post–HDHP enrollment\(^{\ddagger}\)
- Increased their ED visits in the fourth year post–HDHP enrollment\(^{\S}\)

Without taking additional steps, employers using HDHPs to help rein in medical costs may experience a bump in short-term savings, but potentially at the risk of higher catastrophic claims in the long term.\(^{10}\)


\(^{\ast}\)Patients with health insurance through private and exchange plans only.
\(^{\dagger}\)Effects of HDHP on health services use relative to the level of use before 2006, when the HDHP was implemented.
\(^{\ddagger}\)For 2007, 2008, 2009, and 2010, the marginal effects were reduced as follows: physician visits by 0.4749, 0.2321, 0.2170, and 0.2591, respectively (P<0.01) and prescription drug fills by 1.3681, 0.9162, 0.8038, and 0.8469, respectively (P<0.01). It is unknown whether people reduced unnecessary prescriptions or reduced necessary pharmaceutical services.
\(^{\S}\)For 2010: ED visits increased by 0.0179 (P<0.05).
ULTIMATELY, MEMBERS WITH COMPLEX, CHRONIC CONDITIONS NEED ACCESS TO COMPREHENSIVE SUPPORT AND CARE

A number of your members likely suffer from complex conditions such as Rheumatoid Arthritis (RA), Multiple Sclerosis (MS), Inflammatory Bowel Disease (IBD), etc.

The benefits you provide should help your members get properly diagnosed and manage their complex diseases, ensuring that they have access to:

- Care from a **team of health providers** who specialize in the disease and its complications
  - Eg, gastroenterologists, neurologists, rheumatologists, etc.

- **Laboratory services** and **periodic testing** for diagnosis, disease assessment, and monitoring, as well as screening for coexisting conditions
  - Eg, blood tests, imaging tests, disability assessments

- Medications, including **specialty medications**, for the management of their condition

- **Medical procedures**, such as surgery, if required

- Additional **supportive care** as needed
  - Eg, behavioral health management, physical and/or occupational therapy, nutrition counseling, support groups

HOW DO YOU ENSURE YOUR MEMBERS IN HDHPs—ESPECIALLY THOSE LIKE MICHELLE—GET THE CARE THEY NEED, WHEN THEY NEED IT?
WHAT CAN YOU DO TO HELP YOUR MEMBERS CHOOSE AND USE THEIR HDHPs WISELY?

Provide simple and clear benefit communications at every point in the selection and utilization process

Communicate with members throughout the year

- Before and during enrollment, use multiple communication channels—including emails, on-site kiosks, and mobile messaging—to promote your benefits portal and ensure that members take advantage of tools and other resources
- On a regular basis, offer ongoing education to help members better understand how their plans work and make the most of their benefits, including HSAs, HRAs, and FSAs
- Whenever possible, encourage members to make smart decisions every time they interact with the health care system, such as utilizing preventive care and taking maintenance medications as prescribed by their health care provider

Communicate with all members—not just employees—especially at the point of care

- Spouses and dependents also need to understand how their benefits work
- Point-of-care communications are especially important for young adult dependents (18 to 26 years old) who may live away from home

CLEAR COMMUNICATION IS VITAL TO SMART DECISION MAKING: TRANSPARENCY TOOLS WORK ONLY WHEN MEMBERS FULLY UNDERSTAND WHEN AND HOW TO USE THEM.
Help ensure that costs are not a barrier to care, especially for members who may need specialty medications

Help HDHP members with HSAs optimize their accounts

- **Offer some initial funding** to help members cover at least a portion of their health care expenses

- **Provide additional funding opportunities** that will give your members’ HSAs a financial boost. For example, contribute funds to encourage participation in wellness programs (e.g., getting a flu shot, taking a health risk assessment survey)

- **Encourage members to consider funding their HSAs** with the money they save in premiums at least up to the amount of their deductible

Evaluate modifying your benefit design for those with lower wages and/or chronic conditions

- **Consider offering an HRA option**, which allows prescription drug coverage outside the deductible\(^\text{18}\)

- **Assess the opportunity to implement wage-based deductibles**

Support legislation designed to ensure that HDHP members who need medications for chronic conditions can afford their prescriptions

- Introduced to Congress in July 2016, HR 5652, the Access to Better Care Act of 2016, would allow HSA-qualified HDHPs to provide predeductible coverage for medical treatment related to chronic conditions or diseases\(^\text{19}\)

Better communication and funding can lead to a greater understanding of HDHPs, a higher level of employee satisfaction, and improved health care utilization for you and your members.
What if Michelle had fully understood her new plan?

What if she had put her premium savings into her HSA to cover the deductible for her MS medications?

What if HR 5652 is passed into law, and Michelle’s medications are no longer subject to the deductible?

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