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Commentary

Health Care Consumerism: Myths versus Facts

By **Ronald E. Bachman**

Health Care Consumerism is about transforming a health benefit plan into one that puts economic purchasing power – and decision-making – in the hands of participants. It's about providing participants the information and decision support tools they need, along with financial incentives, rewards and other benefits that encourage personal involvement in altering health and health care purchasing behaviors.

Given the misunderstandings and misgivings about a new direction taking place in health care, providers, insurers, employers and even plan members may be defensive and threatened by change. The status quo is always difficult to change without education, explanation and facts. What is clear is that the status quo of health care is not the answer. Real change requires real change.

Despite nearly four years of real data and results to enhance the understanding of Health Care Consumerism, there remain 10 commonly voiced concerns or myths. The facts show otherwise.

Myth 1: Only the young and healthy will purchase Health Savings Accounts (HSAs), because older persons need insurance policies with better coverage for their medical conditions.

Fact: HSA purchasers are older than those purchasing traditional health insurance.

Surveys have found that nearly half of HSA purchasers are at least 40 years old. A major carrier found that more than two-thirds (70 percent) of HSA purchasers are over age 40. One source reported that most HSA purchasers (77 percent) are families with children; 8 percent are single parents, and 45 percent live in households of four or more people.

Myth 2: Only the wealthy will purchase HSAs, because lower income individuals will not be able to contribute to their accounts.

Fact: HSA purchasers come from many income and vocational backgrounds.

- Nearly half (46 percent) of HSA purchasers have family incomes of less than \$50,000.
- Some 38 percent of HSA purchasers have no more than high school or technical school training. HSAs were purchased by a broad cross section of vocations, and less than 57 percent of purchasers were from professional and managerial occupations.
- Many HSA purchasers live in modest homes: 38 percent live in homes with a market value of less than \$125,000 and 27 percent of enrollees have a net worth of less than \$25,000, Assurant reports.

Myth 3: Purchasers of HSAs will defer needed preventive care.

Fact: Data on those who purchased HSAs indicate enrollees are more likely to use preventive care and generic prescription drugs.

- Purchasers of HSAs made 31 percent more preventive care office visits compared to people with conventional health insurance.
- Generic drug usage was consistently higher for HSA purchasers.
- One study by a national insurance carrier found higher utilization of preventive services among participants; another found a 30.1 percent increase in use of preventive services.

Myth 4: Purchasers of high deductible health plans avoid taking needed medications.

Fact: Data on those who purchased HSAs indicate enrollees are more likely to use preventive care and generic prescription drugs.

- Consumerism enhances pharmacy behavior change: Prescriptions per 1,000 were down 11.1 percent while use of generics was up 29 percent.
- Five plans experienced 48.5 percent generic utilization as compared to 44.7 percent in PPO plans.

Myth 5: Very few people will purchase HSAs or Health Reimbursement Arrangements (HRAs).

Fact: HSAs/HRAs have gained wide popularity in the short time since their introduction.

- There were 3.2 million HSAs as of December 2005, representing a seven-fold increase in the number of individuals covered by HSA-type insurance plans since November 2004.
- HSAs made up 11 percent of new policies in the small-group market and 7 percent in the large-group market. There are 679,000 in the large-group market – up from 162,000 in March 2005, and 855,000 lives are covered by individual policies – up from 556,000 in March 2005.
- The Treasury Department projects 14 million HSAs by 2010 covering 25-30 million people and 21 million HSAs by 2020 covering 40-45 million people, an increase of 50 percent.

Myth 6: Accumulation of funds will be insignificant

Fact: Substantial accumulations are already occurring

- A national carrier found the average initial fund balance in HRAs was \$940: 69 percent of funds were used, 51 percent of the employees rolled over funds to next year. Full replacement plans had average initial funds of \$680: 84 percent of the funds were used, 32 percent of the employees rolled over funds
- Projections show \$1 billion invested in HSAs by the end of 2005, based on financial data provided by more than 60 financial firms. One financial firm has opened about 75,000 accounts (worth an estimated \$20 million), and is adding as many as 10,000 new accounts each month. They expect to open “hundreds of thousands” of new HSAs during 2006. Another financial firm is adding about 5,000 new accounts each month. The company has partnerships with about 50 health plans, representing 130 million lives.

Myth 7: HSA-eligible policies do not really provide high-quality, low-cost coverage.

Fact: HSA-qualified insurance policies provide comprehensive coverage at lower premiums.

- HSA-qualified policies provide the same benefits as traditional health insurance plans, limit maximum out-of-pocket costs, but require a higher front-end deductible.
- More than 70 percent cost less than \$100 per person per month, and almost 95 percent of policies cost less than \$200 per month.
- More than 95 percent of policies require beneficiaries to pay no more than 20 percent of the cost of office visits, surgery and diagnostic tests once enrollees meet their deductible.

Myth 8: Patients with chronic and persistent conditions will not receive adequate care and treatment.

Fact: There was no significant difference in care for patients with chronic and persistent conditions.

- Based on data from a national carrier, there were no significant changes in care for diabetes with respect to glycosylated hemoglobin tests; retinal eye exams; lipid screenings (increased) and micro-albumin tests.
- There were no significant changes in percentage of members with cardiac conditions or hypertension taking Ace I/Beta blockers.
- There were no significant changes in percentage of members with asthma taking inhaled Corticosteroids, anti-inflammatories or LRA.

Myth 9: Health care consumerism is too confusing for most employees.**Fact: Plans with HRAs and HSAs include simplifying decision support tools that make these plans understandable.**

- Among HRA and HSA participants, 83 percent of members are more conscious of health care costs
- There was a 38 percent increase in Internet use for several large plan sponsors:

EOB Inquiry	[JKM1]	+ 29%
HRA/HSA Account Balance Inquiries		+ 33%
Claim Details		+ 132%
Claim Status		+ 53%
Doctor Searches		+ 37%
Contact Us		+ 65%

If you want to know how to budget your money, ask someone who makes \$18,000 a year, not someone who makes \$118,000.

Myth 10: HSAs will not help to reduce the numbers of uninsured, because people without insurance coverage will be unable to afford an HSA policy.**Fact: HSAs have already reduced the number of uninsured Americans.**

- The latest survey data indicates that more than one-third of those who purchased individual HSA policies were previously uninsured. One source reported that 43 percent of HSA applicants did not indicate any prior coverage. One carrier reported that 32.8 percent of all HSA applicants, about half of those with incomes under \$35,000, had not had coverage for at least six months prior to enrollment.

The transformation of health and health care is still in its early stages. Statistical analysis and proof of Health Care Consumerism as a new way to save lives, improve health and lower costs are incomplete. What's promising is that numerous studies indicate that early adopters of the first- generation consumer-driven health care plans are seeing positive results from greater use of preventive care services and lower year-over-year health care cost trends.

The future generations and the ultimate forms of Health Care Consumerism have yet to fully develop, as products and services are only now evolving to meet the challenges and enormous promise of a 21st Century Intelligent Health System.

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