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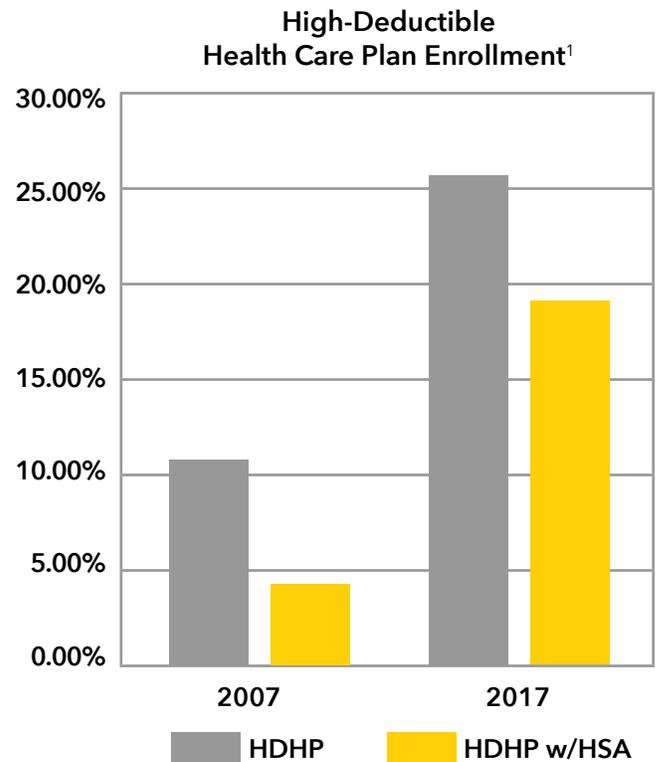
# Can Consumers Truly Shop for Health Care?



**The consumer-driven health care concept isn't new. It's been around for over a decade when a handful of businesses started offering their employees health plans with low premiums, high-deductibles and tax-exempt savings accounts.**

There has been steady adoption of this consumer-driven health care model ever since. High-deductible health plans (HDHPs), first introduced to the marketplace in 2004, have seen increases in enrollment among adults aged 18-64 with employment-based coverage from 10.6% in 2007 to 24.5% in 2017, the latest analysis by the National Center for Health Statistics. So too, is the uptick in HDHPs with a health savings account (HSA), from 4.2% in 2007 to 18.9% in 2017, while enrollment in traditional health plans have decreased.<sup>1</sup>

One of the ideas behind the initiative was – and still is today – to encourage employees to make educated decisions surrounding their health care. Would they be more judicious with their health care decisions, even evaluating their options before seeing a provider? That was the hope – and why HDHPs are sometimes referred to as consumer-directed health plans.



But fast forward 15 years, can consumers adequately direct their health care spending to the most effective and efficient services? Is there pricing transparency equipping consumers to compare one health care providers' service to another's? Can there be true health care consumerism without cost/pricing transparency?

This white paper will present an aggregation of data that demonstrates that without health care transparency, consumers can't truly shop for their medical services. The data will also show that there are potentially unintended consequences of HDHPs and the lack of health care transparency that is already trending negatively on health care consumption. Additionally, there is information on how benefits managers and brokers can help eliminate some employee confusion and concern around health care.

## Health Care and Transparency

Headline after headline paints a bleak picture: Health care costs are on the rise and unfortunately, are projected to continue. Moreover, a study has found about 40% of Americans report skipping a recommended medical test or treatment and 44% say they didn't go to a doctor when they were sick or injured in the last year because of cost.<sup>2</sup>

**"Admittedly, we haven't achieved true health care consumerism – yet. To make smart decisions, consumers need information about how much a particular provider charges for treatment, equipment, pharmaceuticals, etc., and price information has been – and continues to be – difficult to obtain in many circumstances."**

**- Matt Marek, Former CEO  
in *HR Executive Magazine***

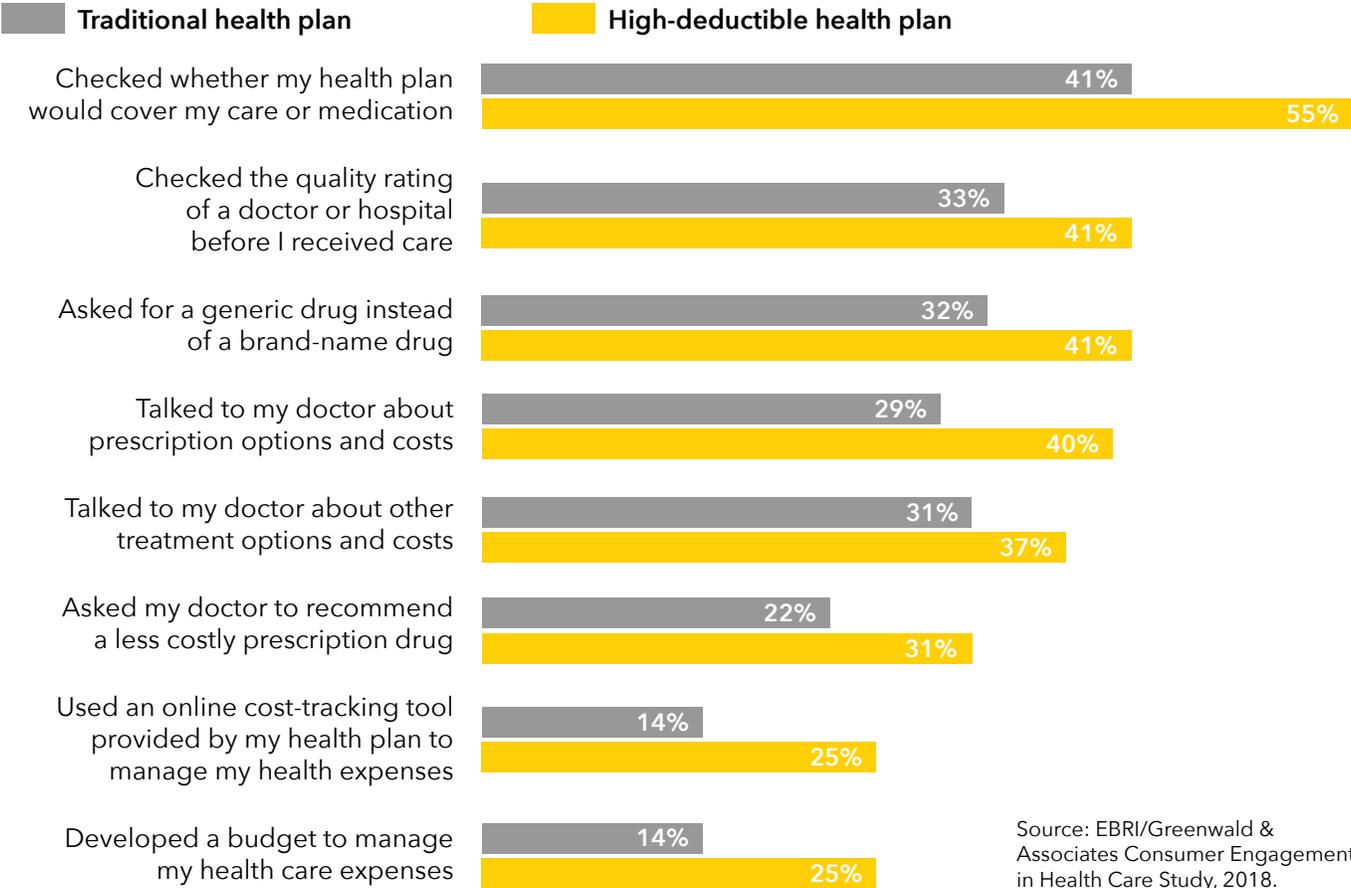


While many in the health care industry continue to look for ways to reduce patient costs, the statistics still tell a story of increasing costs. Consumers are forced to deal with cost ranges unlike any other they encounter when purchasing other goods and services. And most often, without adequate information. Take mammograms or vasectomies, for example. These services can be charged at a wide array of price points, which depend upon if the service is performed at a hospital or specialty center, what medical team is needed, and even where a consumer resides. In fact, a recent Kaiser Family Foundation and *Los Angeles Times* study found that nearly 60% of consumers surveyed say it is difficult to find out how much medical treatments and procedures provided by different doctors and hospitals would cost them, and 40% say they have had difficulty understanding how much they will have to pay out of their own pocket when they use care.<sup>3</sup>

If a consumer knew that prices for the same treatment can vary by thousands of dollars, depending on who's providing the service, what would that enable them to do? Unfortunately, recent studies show that for some consumers, they are moving away from health care altogether.

Consider the findings of an Employee Benefit Research Institute and Greenwald & Associates Engagement in Health Care Study, 2018. It noted that many positive behaviors are associated with high-deductible plans, such as asking doctors for a lower cost generic drug and discussing other treatment options and costs. Yet it also found that more than 30% of HDHP enrollees said they delayed health care in the past year because of costs. Comparatively, only 18% of those in a traditional plan did the same. It wasn't clear whether the avoided services were tests or procedures that could be essential or were those that are often over-prescribed and frequently considered unnecessary, reports the Society of Human Resource Management (SHRM).

### Cost-Conscious Behavior by Plan Type



Source: EBRI/Greenwald & Associates Consumer Engagement in Health Care Study, 2018.



## Shifting From Health Savings Accounts to Health Spending Accounts

Utilizing health savings accounts, as way to pay for health care, is growing. Today, there are over 26 million health savings accounts, holding \$61.7 billion in assets, a year-over-year increase of 12% for accounts and 20% for HSA assets for the period ended June 30, 2019.<sup>4</sup> And the good news is that contributions are growing too. HSA contributions continue to rise with account holders contributing over \$22 billion to their accounts in the first six months of 2019, up 12% from the year prior.<sup>5</sup> Consumers are clearly seeing the advantages of using HSAs to tackle health care expenses today.

However, with the increased shift of health care costs to employees, HSA account holders are not using the tool to save for retirement, nor as a planning tool for unforeseen future health care needs. They are tapping into those dollars to pay for health care today. In fact, a recent study states that 76% of HSA funds contributed in the last year were withdrawn.<sup>6</sup>

At Further, we know that spenders, those using their HSA dollars to pay for care now, are more attuned to their benefits as a tool to help achieve healthier lives. But still, why are some consumers delaying health care? Can benefits managers play a role in helping bring true health care consumerism?

## A Consumer Journey - Helping Employees Navigating Today's Health Care

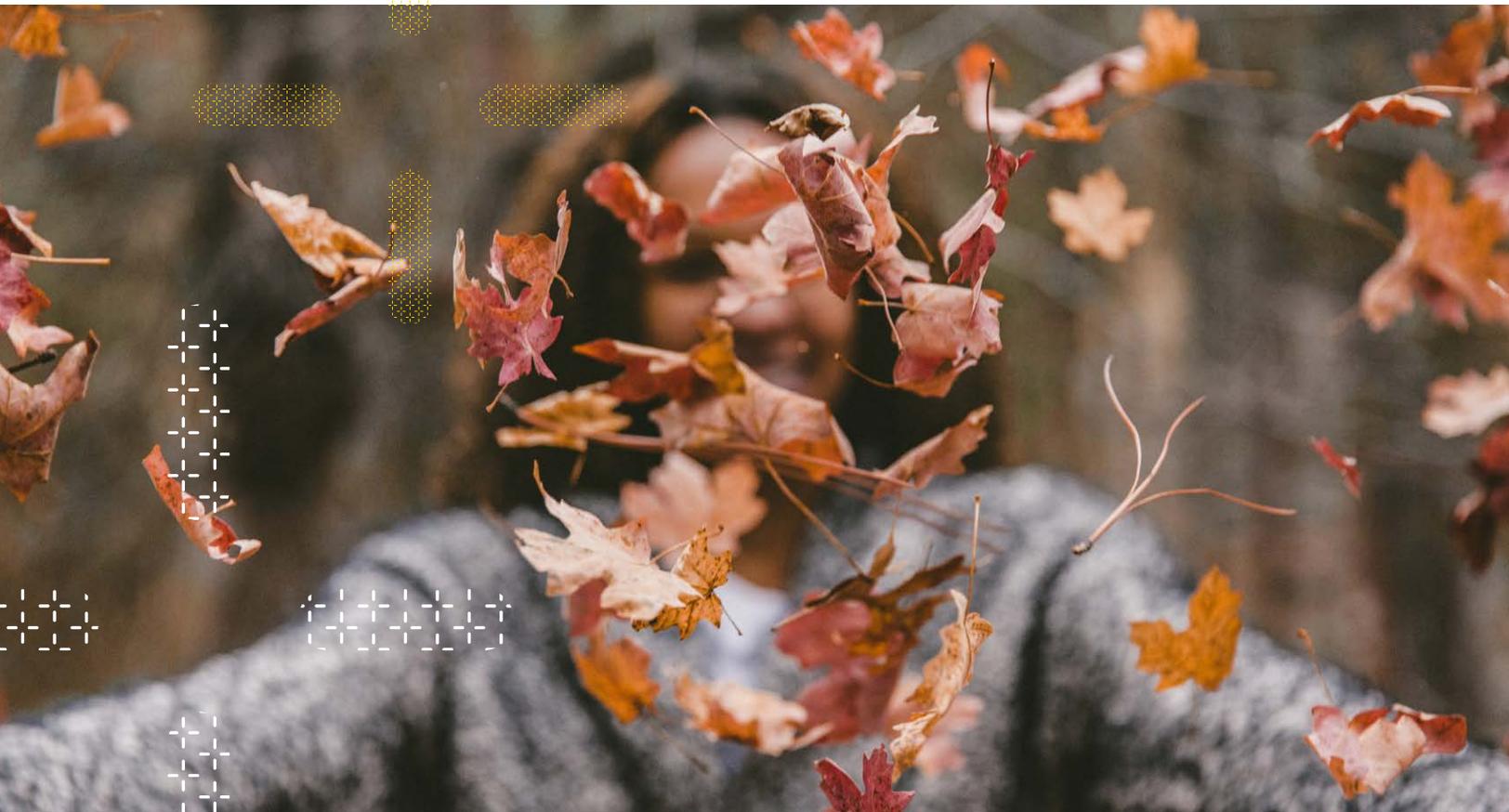
The ramifications of not seeking health care are great. And while cost is clearly a factor, studies show that there are some other common circumstances why consumers skip health care services – preventive or treatment – that are at play that benefits managers should understand, including:

- Lack of Understanding of Costs – one study points out that 29% of consumers have difficulty understanding basic medical costs.<sup>7</sup>
- Lack of Understanding of Benefits – another states that 58% of HR leaders report that their employees are unaware of the company-provided health benefits to which they are entitled.<sup>8</sup>
- Lack of Understanding of How to Leverage Benefits – and 63% of health care leaders say employees don't know enough about how to leverage their benefits.<sup>8</sup>

The bleak picture points out that benefits managers can play an important role in helping their employees deal with health care confusion. It's a fact that employees are not only spending their HSAs, but are looking to do so in an informed way. Here's four key areas in which benefits managers and brokers can help eliminate employee confusion around health care decisions.

### Education

Even in instances where cost is not the driver on where consumers will seek treatment, cost transparency allows consumers to better plan for future procedures. For example, if a consumer needs a hip replacement, that is likely a procedure that could be done in a few months or even years. With cost transparency, consumers are able to prepare for the expected cost and in the case of a high-deductible health plan, allocate additional dollars to their HSAs, resulting in tax savings. It's important for employees to understand how their HSAs, deductibles, and health plans interact. This foundational knowledge will help them take advantage of their benefits and plan accordingly. And benefits managers can play a significant role in building that knowledge.



## Plan Design

Beyond providing a health care plan, the plan design plays an important role. It's no surprise that research has found employees tend to delay or disengage from decisions they view as difficult and complex. In the 1980s, the struggle among employees was 401k adoption, even though it was the most practical retirement financial tool in the market. These days, the challenge is centered around consumer-directed health plans (CDHPs) and HSAs. HSAs provide the best value for both savers and spenders – and can be the tool to help employees take more control of health care decisions, helping them save money today on taxes, all while setting them up with a cushion for future health care costs in retirement.

## Adoption

Employers are key to building employee understanding of CDHPs and HSAs, so that employees are equipped to make the right decisions at enrollment time and beyond. To aid employee adoption, sweeten the pot by seeding new HSA plans with employer contributions. "Employers have an opportunity to do more to help employees understand HSAs' numerous tax advantages and encourage more people to use them to save money for medical expenses now and for retirement in the future," said Trevis Parson, chief actuary for health and benefits, North America, at Willis Towers Watson. A Willis Towers Watson survey of 689 U.S. employers found that 43% of all employees enrolled in employer-sponsored HSAs did not contribute any of their own money to these tax-advantaged accounts. To encourage greater participation, 62% of employers that offered HSAs gave their employees a head start by contributing seed money to those accounts.<sup>9</sup>

Follow these five tips that all HR professionals and benefits specialists need to know to help employees adopt a CDHP with an HSA – and love it!

1

Consider subsidizing HSA plan premiums in the early years of conversion to support enrollment.

2

Set up HSA accounts to open automatically for employees to ensure day-one readiness.

3

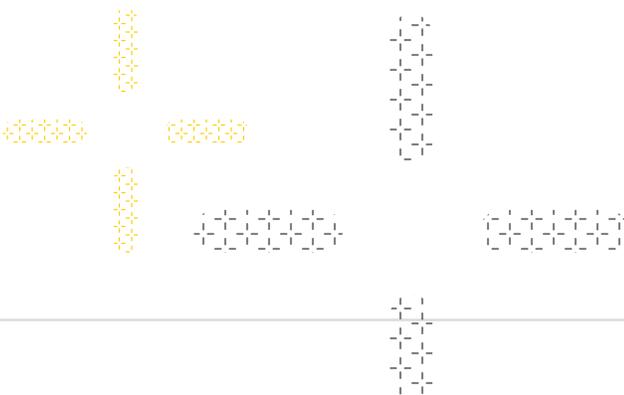
Set deductible limits below the annual contribution limit so that an employee can cover the entire deductible with HSA contributions in the first year.

4

Help employees commit to regular contributions to their account by offering automatic pretax payroll contributions.

5

Make sure employees know that preventive care is 100% covered.



## Ongoing Communication

Even with these tips, ongoing communication and education throughout the year around CDHPs/HDHPs and HSAs is still critical to further encourage their adoption and usage. HSA administrators can play a big role in helping to support consumer health literacy. How? By providing multi-channel education opportunities and tools to drive engagement. Take for example the triple tax benefits of HSAs. The benefits of HSAs triple tax advantage can seem complicated but are a unique benefit of these plans that can be communicated in plain language to increase understanding. At Further, we aim to provide educational information in clear, uncomplicated language to alleviate any hurdles in their adoption. To the right, is an example of language that we encourage our benefit manager clients use to educate their team members about the triple tax benefits of HSAs.



## Triple Tax Benefits



### HSAs reduce taxable income

Contributing to an HSA will lower an employee's overall taxable income. When a team member contributes through his or her employer, the money goes into their HSA before taxes are taken out. Plus, any contribution they make on their own is tax-deductible.



### HSA holders pay no taxes on eligible medical expenses

When a team member uses funds from his or her HSA to pay for eligible medical expenses, they pay no taxes on that money. Plus, they can use their HSA to purchase prescription medications, bandages, chiropractic treatments, reading glasses, and many other items and services.



### HSA holders earn tax-free interest on HSA funds

Depending on the HSA plan, employees may receive earnings from interest on their HSA balance. The more they contribute, the more interest they can earn on their account. Plus, if employees choose to invest their HSA dollars, they won't be taxed on any earnings, nor do they count towards the maximum yearly contribution.



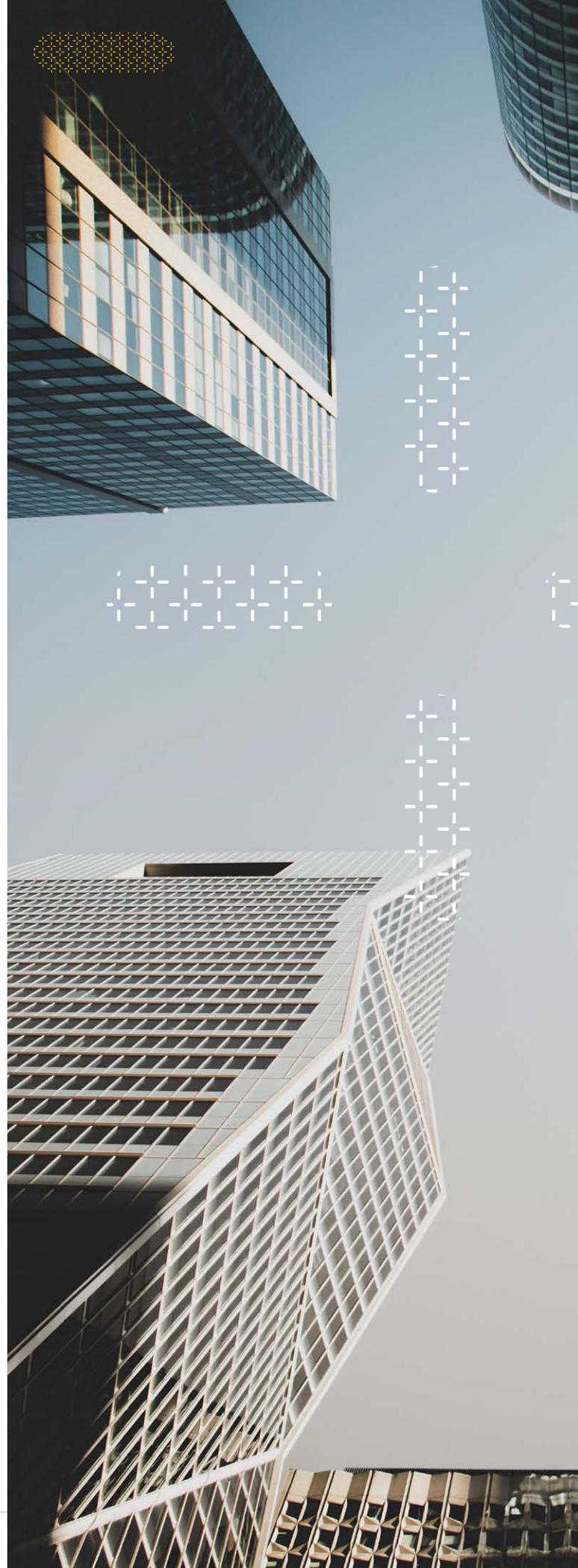
And finally, think of your employee base and where they are in their life – and health care – journey. Depending upon where they are in their journey, it could have health care usage, plan and HSA implications (see next page). In fact, a recent study from the Henry J. Kaiser Family Foundation notes that those in the most need for health care may have a higher propensity of delaying care. “Putting off care due to costs is even more prevalent in households with someone with a serious medical condition, with nearly 64% saying they or a family member put off or skipped some sort of health care in the past year because of the cost. About 40% of 18 to 64-year-olds who are living in a household with someone (including themselves) with a serious medical condition say they have skipped dental care or checkups (41%), relied on home remedies or over-the-counter drugs instead of going to a doctor (40%) due to cost, or say they have postponed needed care (35%).”<sup>10</sup>

## The Employer Benefits to Supporting Consumerism

It’s important to note that employers and employees have a common goal – to reduce health care costs and improve health. And our industry is moving in the right direction to help bring that about. The recent activity in Washington D.C., with President Trump’s June 2019 executive order on health care transparency aim to improve patients’ awareness of price and quality is a promising step forward. If consumers can access the information they need about cost and quality of care available where they live, the advantages can be enormous. Educated consumers are more likely to ask their doctors about various available treatment options and to request generic medications – both of which can drive down the ultimate cost of care to the individual patient.

Educated, engaged consumers, who shop for the best price and demand the highest value in their health care, can drive market competition and, ultimately, push industry costs lower. Consumers now directly control \$330 billion annually in out-of-pocket health care expenses, and the choices they make have the potential to affect 61% of all health care spending.

**This is consumer empowerment.**



## Profiles of Four HSA User Groups

When it comes to using HSAs to fund current health care costs, there are four major groups of users who are looking to HSAs as an important benefit. HR professionals and benefits advisors should integrate scenarios about these individual user groups to help their employee base understand when and how to better use their HSAs.

### Chronic Condition Users

For individuals with chronic conditions, an HSA is an important tool to maximize pretax dollars for known medical expenses. These individuals are likely to meet their deductible and are leveraging the HSA to pay for the medical costs prior to insurance coverage.

### Planned Treatment Users

These individuals know that in the future, they need a major operation, like knee surgery. This is a medical treatment that they do not need today but will need in the foreseeable future. They have time to save through their HSAs and research the best hospital to have the treatment through for possible cost savings.

### Urgent/ Emergent Situation Users

In this situation, users are seeking immediate care due to a medical emergency. They are focused on getting the quickest treatment at the nearest facility and are not factoring cost in. They may find comfort in knowing their HSA has available funds for an unexpected health care cost.

### Young Families Users

Households with young children often find themselves at the doctor's office treating bumps, colds, and other illnesses. These families know that they'll likely be leveraging their health insurance often and are looking for peace of mind in knowing that their HSA dollars can support their families unexpected needs.

## About Further

Further is a national leader in health savings and spending account administration, serving corporations, small businesses, labor unions, retirees and groups in the public sector. Based in Eagan, Minn., Further provides health savings accounts (HSAs), flexible spending accounts (FSAs), health reimbursement arrangements (HRAs), voluntary employee beneficiary association (VEBA) accounts and commuter benefit and custodian services. With more than \$1.5 billion in assets under management, Further guides account holders across the United States in saving and spending wisely on their health care. Further is an IRS-approved nonbank trustee through the U.S. Department of Treasury.



## References

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- <sup>2</sup> <http://www.norc.org/PDFs/WHI%20Healthcare%20Costs%20Coverage%20and%20Policy/WHI%20Healthcare%20Costs%20Coverage%20and%20Policy%20Issue%20Brief.pdf>
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