



# Health Care Brokerage and the ACA

## Perspectives on Healthcare from the ABA's HSA Council

September 27, 2011

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Board Member HSA Council



# Agenda


1. Introductions
2. HSA 101
3. Industry Update
4. Where is the HSA money and where does it go?
4. Health Care Reform - impact of PPACA
5. Legislative Update
6. Closing / questions



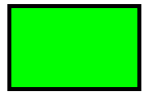
# 1. Introductions



## 2. HSA 101 – brief refresher



# How familiar are you with Consumer Directed Health Accounts?



**I actually have an HSA**



**I know enough to be dangerous**



**How do you spell H-S-A ?**

# HSA 101

A Health Savings Account is a special tax-free trust or custodial account created exclusively for the benefit of account holders covered under a high-deductible health plan (HDHP) to use towards qualified medical expenses.

	Qualified HDHP				HSA Annual Contributions can be no more than	
	Plan deductible must be at least		Out of pocket max can be no more than		2011	2012
	2011	2012	2011	2012	2011	2012
Single	\$1,200	\$1,200	\$5,950	\$6,050	\$3,050	\$3,100
Family	\$2,400	\$2,400	\$11,900	\$12,100	\$6,150	\$6,250
Allowable catch-up contribution for age > 55					\$1,000	\$1,000

**No “Use it or Lose it” rules**

Unspent funds remain the property of the individual

**HSAs provide a Triple Tax Benefit**

1. Eligible contributions reduce taxable income
2. Account earnings are tax-free
3. Withdrawals for qualified medical expenses are tax-free

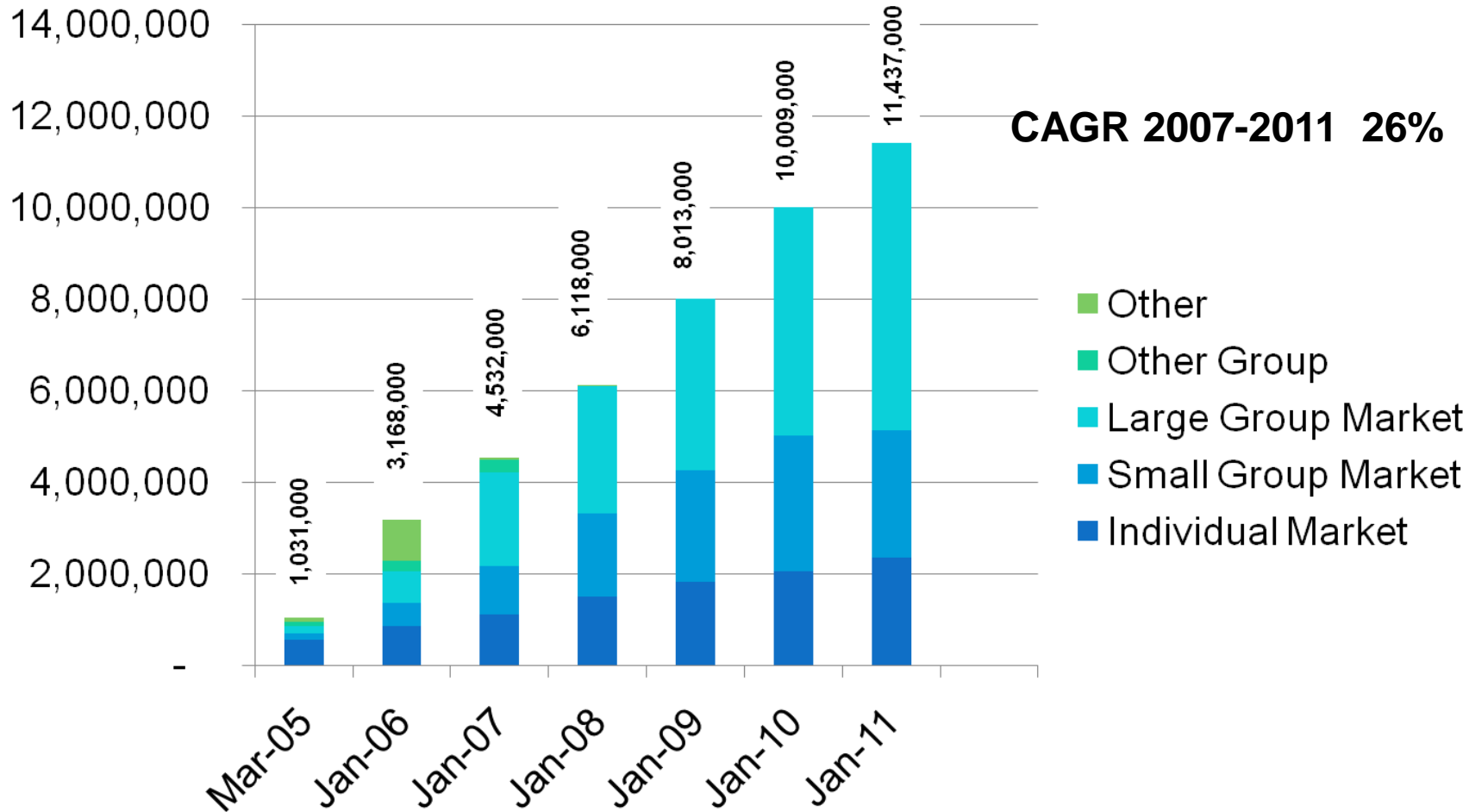
# HSA Myths Dispelled

MYTH	REALITY
<p><b>HSA's are only for the young</b></p>	<p>Approximately 60% of people covered by HSA/HDHP are family aged. (source: AHIP data)</p> <ul style="list-style-type: none"> <li>• Only 13% are in their 20's</li> <li>• 26% are children; 32% are in their 30's and 40's</li> </ul>
<p><b>HSA's are only for the wealthy</b></p>	<p>Average HSA income is \$55,000; 75% of HSA holders earn less than \$75,000 Source: OptumBank survey</p>
<p><b>HSA's are only for the healthy</b></p>	<ul style="list-style-type: none"> <li>• Statutory out-of-pocket max caps exposure</li> <li>• Preventative care often covered at 1<sup>st</sup> dollar</li> <li>• Co-insurance is often lower</li> </ul>
<p><b>HSA's lead to people scrimping on care</b></p>	<p>Separate studies by the Blues &amp; Wellpoint show that HSA holders are more likely to participate in wellness programs and utilize preventative care.</p> <p>AAA found that CDH plan care was received in equal or greater degrees relative to traditional plans</p>



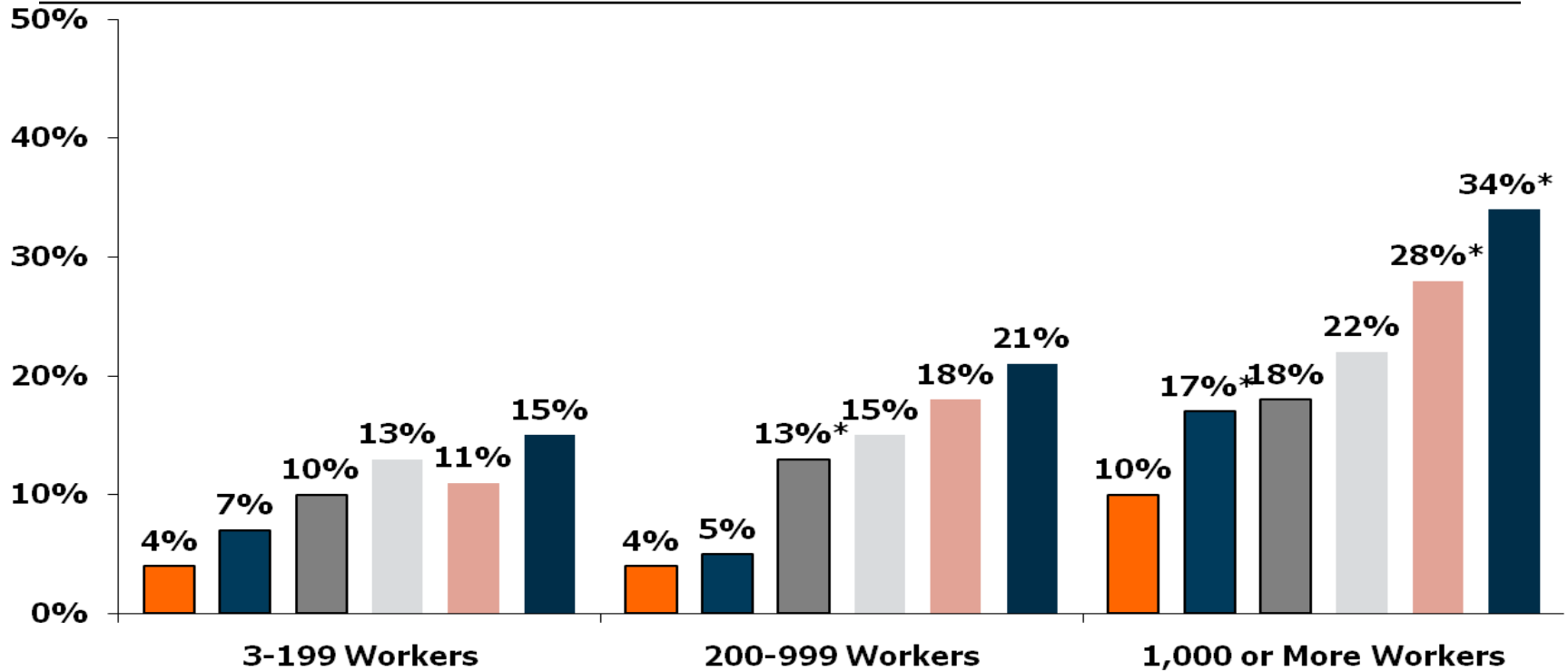
# 3. HSA Industry Update

# Growth of HSA/HDHP Enrollment, March 2005 to January 2011

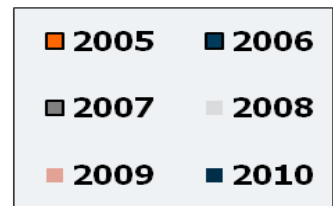


Sources: AHIP Center for Policy and Research, 2005–2011 HSA/HDHP Census Reports

# Among Firms Offering Health Benefits, Percentage That Offer an HDHP/SO, by Firm Size, 2005-2010



Source: Kaiser/HRET Survey of Employer-Sponsored Health Benefits, 2005-2010.

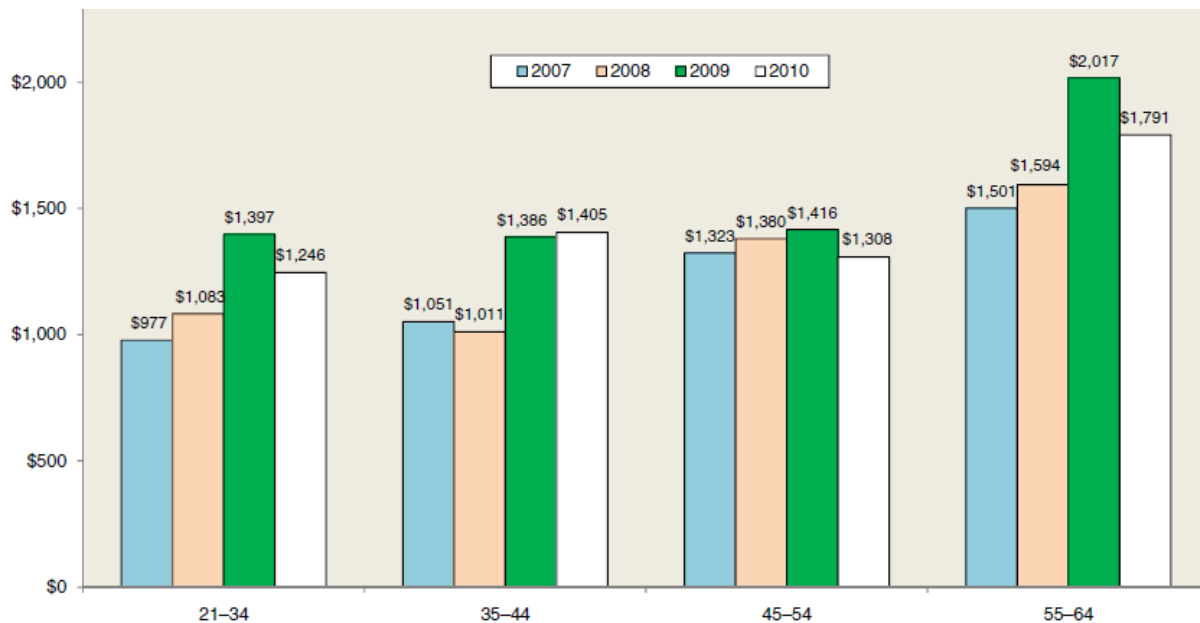




# Fun Facts

## Account Balance by Gender 2007-2010

Men 15-20% higher than women



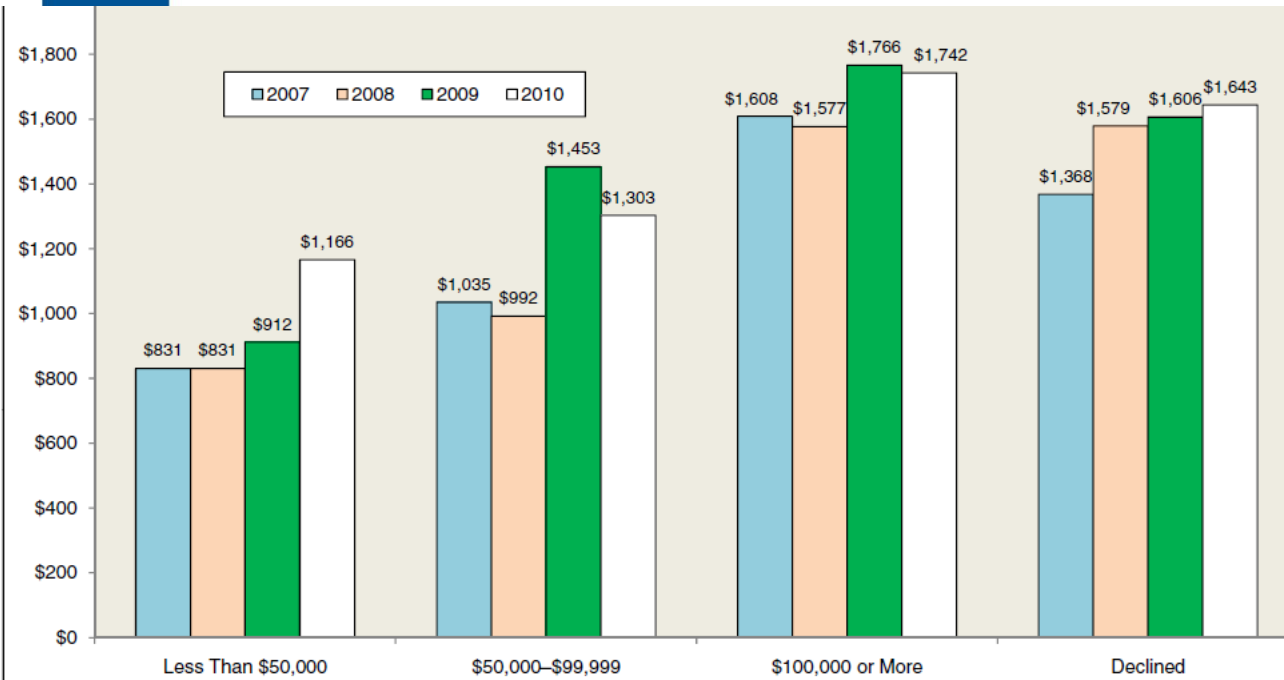
## Account Balance by Age 2007-2010

Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008-2010



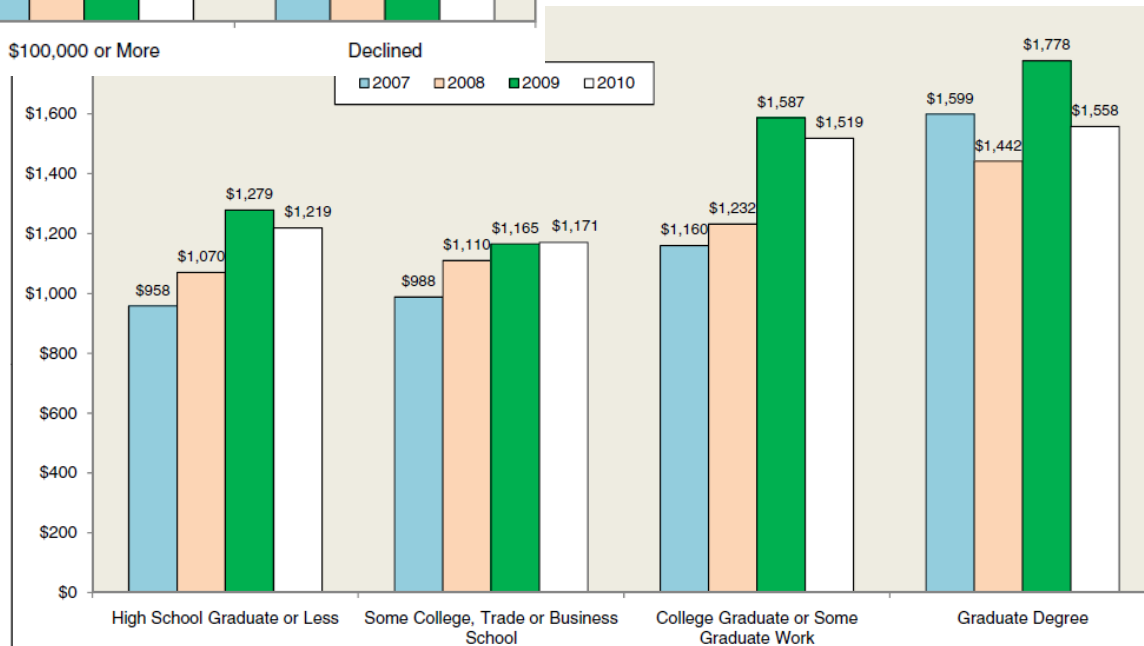
# Fun Facts

## Account Balance by HH income 2007-2010

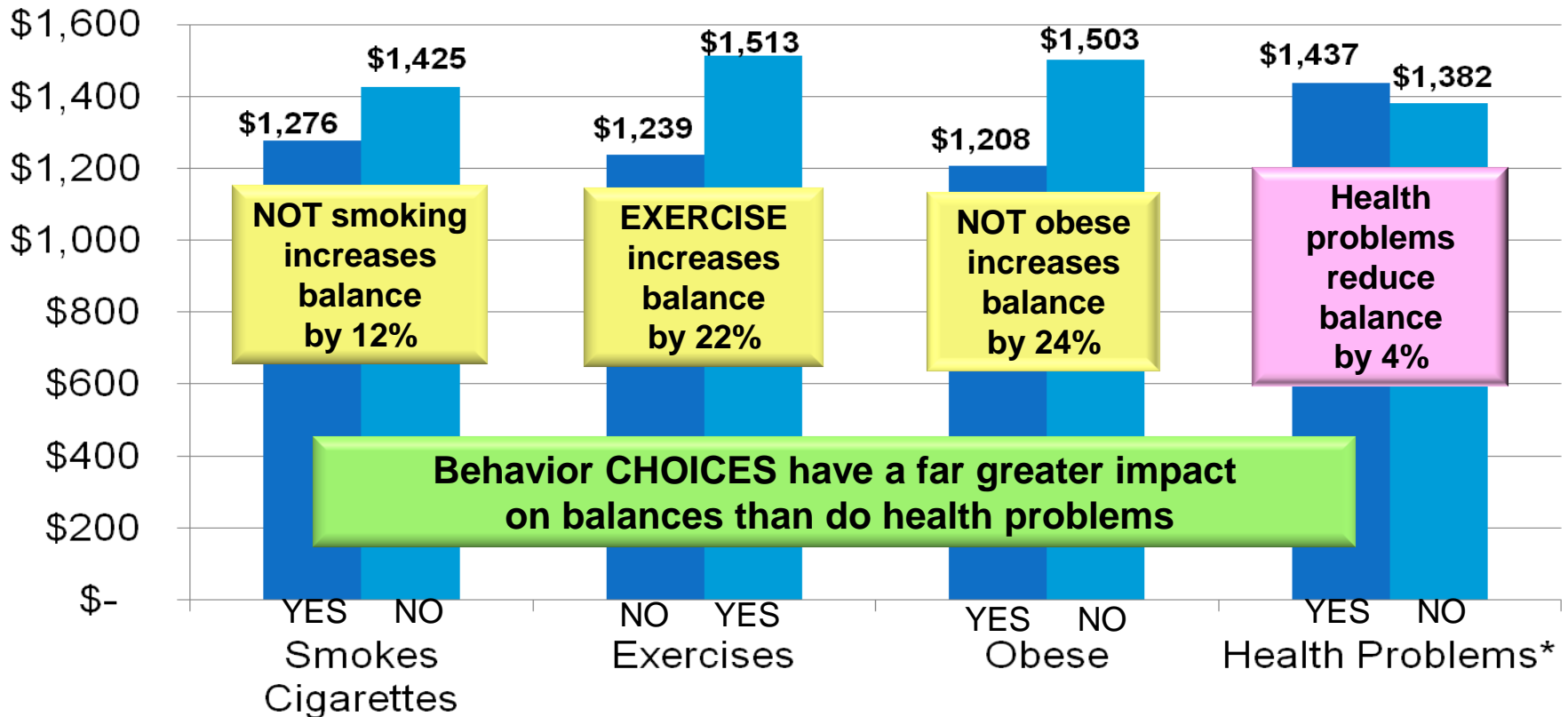


## Account Balance by Education 2007-2010

Source: EBRI/Commonwealth Fund Consumerism in Health Care Survey, 2007; EBRI/MGA Consumer Engagement in Health Care Survey, 2008-2010



# Account Balances, by Health Behavior and Health Status, August, 2010



Source: EBRI/MGA Consumer Engagement in Health Care Survey, 2010

\* Health problem defined as fair or poor health or 1 of 8 chronic conditions: Arthritis; asthma; emphysema or lung disease; cancer; depression; diabetes; heart attack or other heart disease; high cholesterol; hypertension, high blood pressure or stroke.

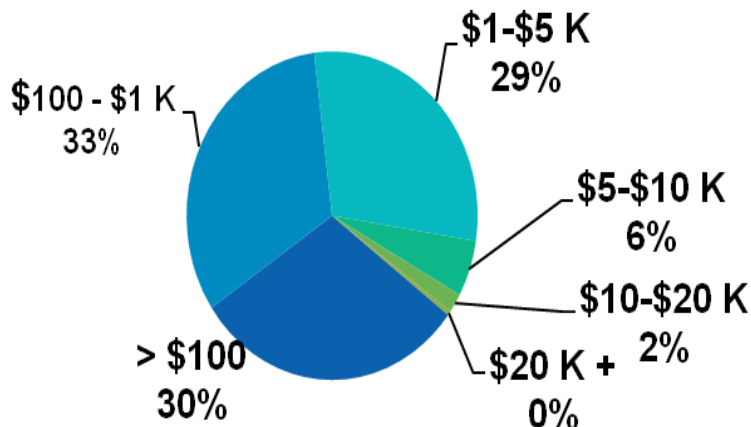


## **4. Where is the HSA money and where does it go?**

### **5/3 HSA portfolio analysis / case study**

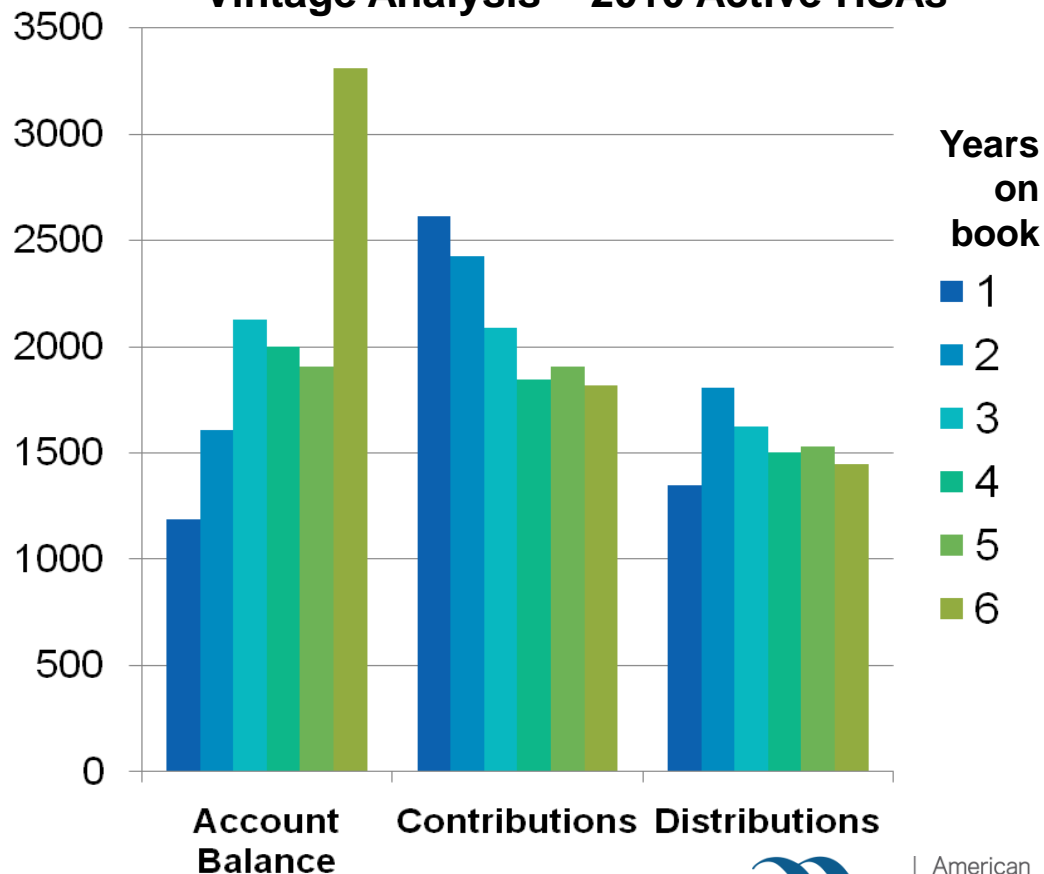
# HSA at Fifth Third: June 30, 2011

## Balance Distribution



68% have a balance < \$1,000  
 26% have a balance \$1,000-\$5,000  
 7% have a balance > \$5,000

## Vintage Analysis – 2010 Active HSAs



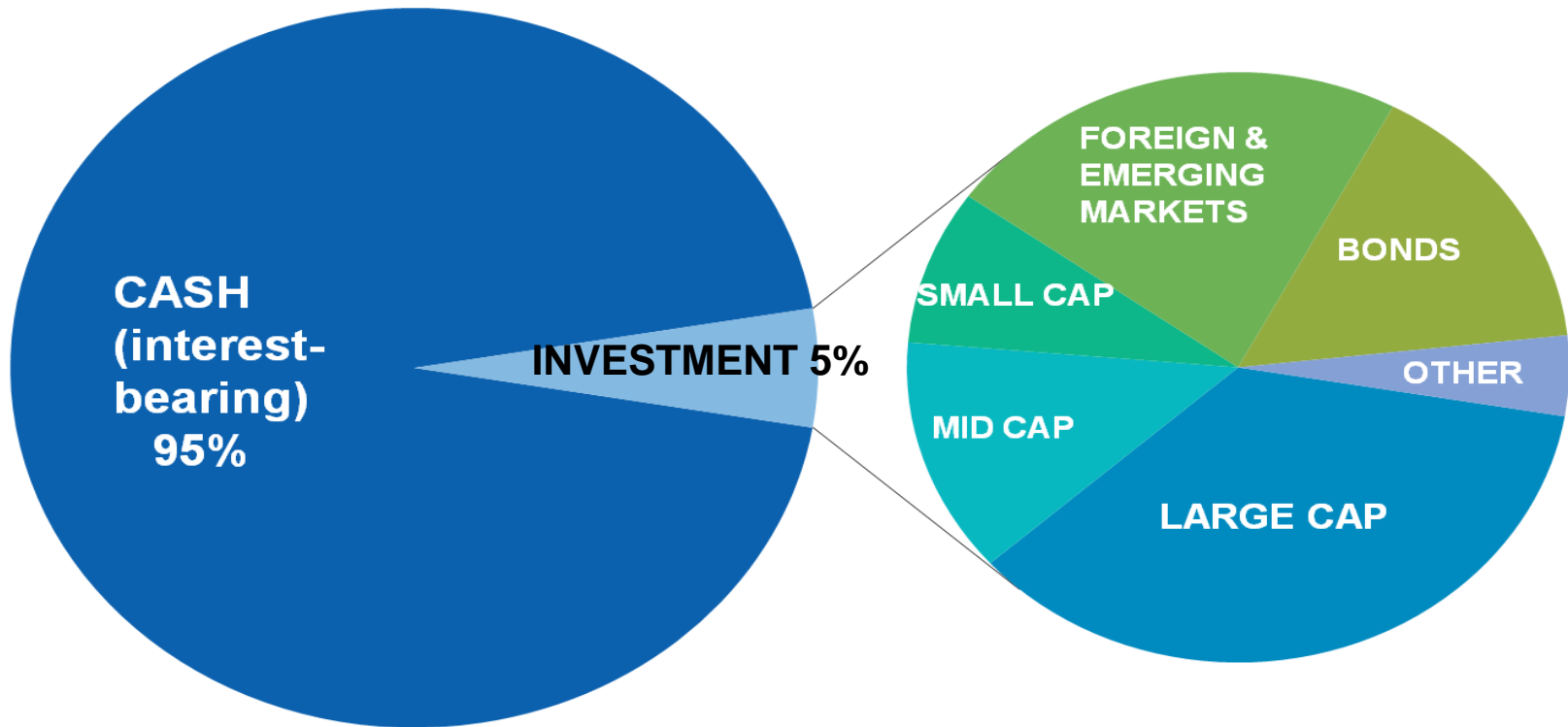
**Average Balances** grow over time as accounts mature

**Average Contributions** drop as some participants cease HDHP but retain their HSAs

**Distributions** remain fairly stable

# Where are the balances?

## 5/3 HSA Balances: Cash / Investments



**1% of our Customers have invested in Self-directed mutual Fund investments, representing 5% of the balances.**

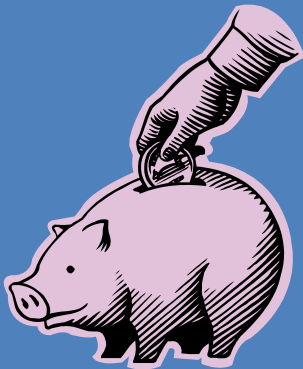
# HSA at Fifth Third: June 30, 2011

## Savers and Spenders

### Savers

Spend less than 20% of each year's deposits

Retaining at least 80% in the account



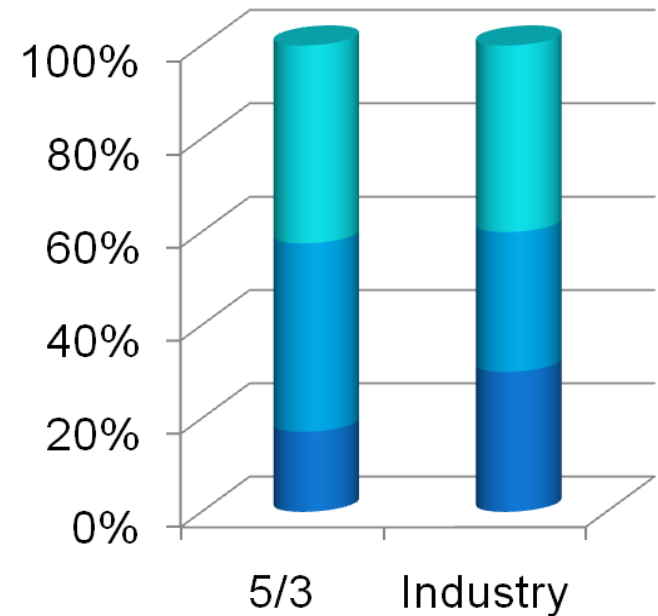
Growing their balance year over year

### Spenders



Withdraw over 80% of the year's deposits

Retaining less than 20% in the account



■ Savers ■ Hybrid ■ Spenders

**Average balances by category:**

**\$3,300**  
Savers

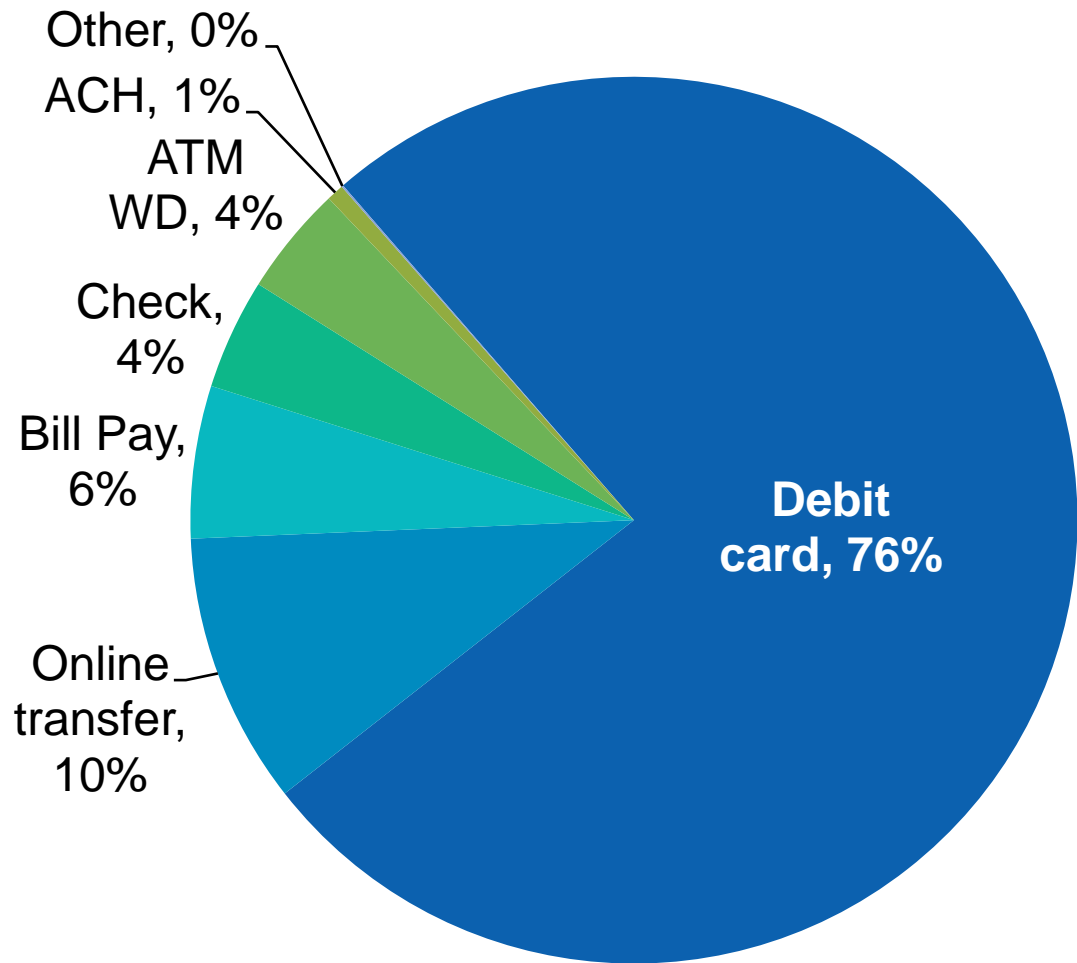
**\$2,100**  
Hybrid

**\$700**  
Spenders

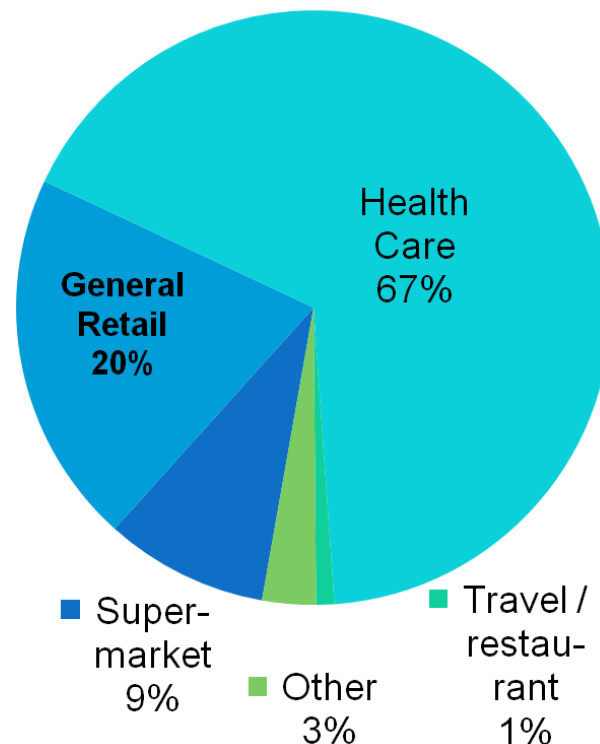
Industry source: Celent

# How are HSA Funds spent?

## HSA Distribution Breakout



## Debit Card Purchases





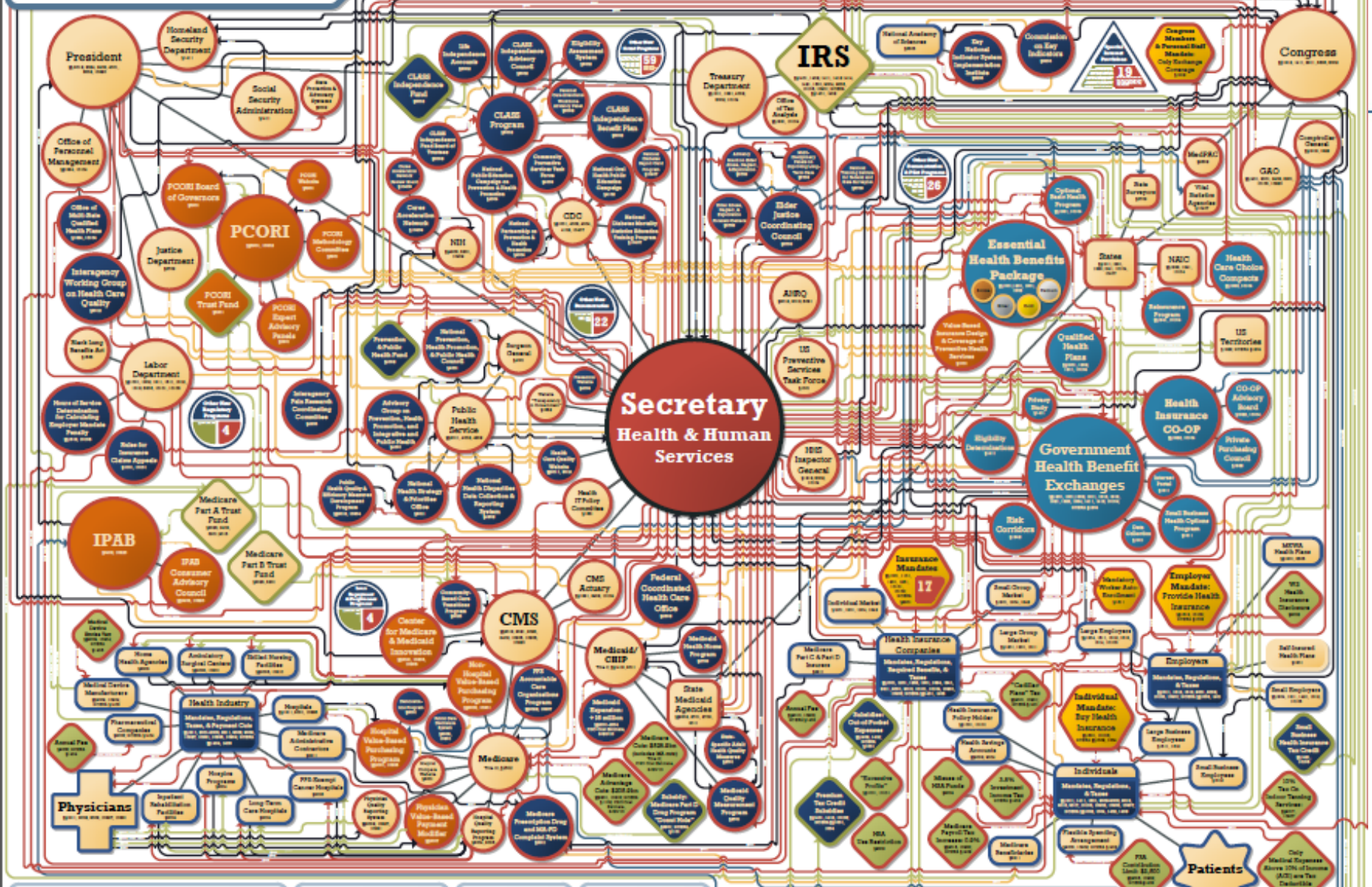
# 5. Impact of The Patient Protection Affordable Care Act (ACA) on Consumer Driven Health

## FSA, HRA, HSA



# The ACA Isn't as Complicated as it Sounds: Its Much, Much Worse

# Your New Health Care System



New Government	Expanded Government	Private	New Relationships
<ul style="list-style-type: none"> <li>● Rationing Potential</li> <li>● Involvement in Health Insurance Market</li> <li>● Other Expansions</li> <li>● Represents Bundle of Additional Entities</li> </ul>	<ul style="list-style-type: none"> <li>● Government with Expanded Authority/Responsibility</li> <li>● Government Financial Entity with New Inflows/Outflows</li> <li>● State/Territory with Expanded Authority/Responsibility</li> </ul>	<ul style="list-style-type: none"> <li>● Private Entity with New Mandates/Regulations/Responsibilities</li> <li>● Unchanged Private Entity</li> <li>● Special Interest Provisions</li> </ul>	<ul style="list-style-type: none"> <li>→ Regulations/Mandates</li> <li>→ Reporting Requirements</li> <li>→ Oversight</li> <li>→ Money Flows</li> <li>→ Consultation/Advisory/Info Sharing</li> <li>→ Structural Connections (Includes Exclring)</li> </ul>

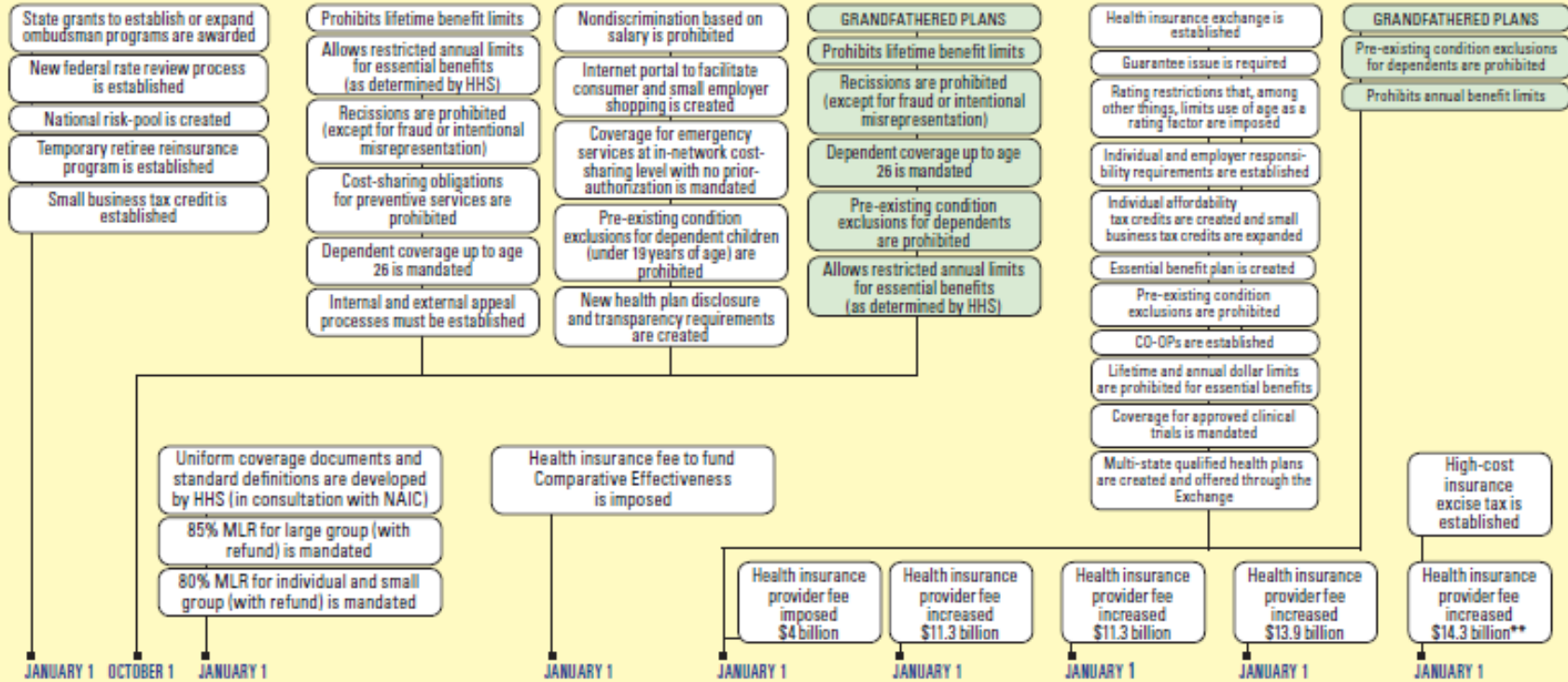
**Legend:**  
 ● Mandates  
 ◆ Taxes & Monetary Fees/Penalties/Cuts  
 ◆ Trust Fund (Rationing Potential)  
 ◆ Other New Trust Funds/Monetary Benefits

**Abbreviations:**  
 ACA: Affordable Care Act  
 AHRQ: Agency for Healthcare Research and Quality  
 CDC: Centers for Disease Control & Prevention  
 CHIP: Children's Health Insurance Program  
 CLASS: Community Living Assistance Services & Supports  
 CMS: Centers for Medicare & Medicaid Services  
 CO-OP: Consumer Operates & Obligates Program  
 FFS: Fee-for-Service  
 FSA: Flexible Spending Arrangement  
 GAO: Government Accountability Office  
 HHS: Health Care & Human Services Department  
 HSA: Health Savings Account  
 IRB: Independent Payment Advisory Board  
 ISB: Internal Revenue Service  
 MACRA: Medicare Access and Reauthorization Act  
 MIPAC: Medicare Payment Advisory Commission  
 MIPED: Medical Error Task Force  
 MRE: Medicare Reimbursement Error  
 MTRB: Multiple Employer Welfare Arrangement  
 NAC: National Association of Consumer Commissioners  
 NIA: National Institutes of Health  
 PCORI: Patient-Centered Outcomes Research Institute  
 PPS: Prospective Payment System

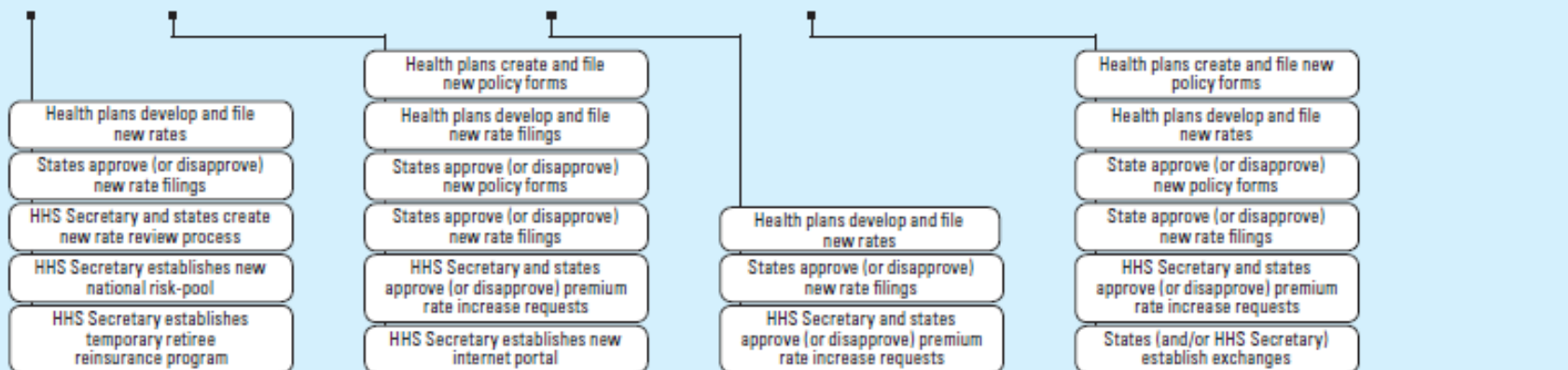
**Legislation:**  
 Patient Protection & Affordable Care Act, P.L. 111-148;  
 Health Care & Education Reconciliation Act, P.L. 111-152  
 Prepared by: Joint Economic Committee, Republican Staff  
 Congressman Kevin Brady, Senior House Republican  
 Senator Sam Brownback, Ranking Member

# Health Care Reform Bill Timeline (as revised by the House Reconciliation Bill)\*

SUMMARY OF SELECT REQUIREMENTS




IMPACT



\*Assumes April 1, 2010 enactment


\*\*In years following 2018, the tax amount would increase in an amount proportionally equal to overall premium growth.

- 
- **The health care reform laws signed by President Obama will likely have a modest impact on consumer-driven health plans and their associated health care accounts (i.e., FSAs, HRAs, and HSAs)**
  - **Earlier proposals that would have eliminated some of the options (particularly FSAs and HRAs) did not survive the legislative process**



**Insurance reforms and benefit mandates shouldn't adversely impact CDHPs, if applied equally to all plans**

- **Biggest concerns**
  - How “actuarial value” is defined
  - How “medical loss ratio” is defined
  - How “essential benefits” are defined
- **Supposed to be based on a “typical” employer plan**
- **Preventive care**



## **Growth in CDHPs could be accelerated by mandates and subsidies**

- If the government requires everyone to buy health insurance, what is the cheapest product on the market?**
- Income-based subsidies will be tied to the 2nd least costly plan type (Silver plan) in the Exchange**
- People can only get the maximum subsidy if they choose this plan or the only cheaper plan**



## **Growth in CDHPs could be accelerated by the Exchanges**

- The entire small group market may be replaced by insurance exchanges**
- Essentially be a super-sized “individual choice” market combined with the current individual market and uninsured people**
- Once the employees (not the employer) are choosing their health insurance, most of them could gravitate to the cheapest plans**



## **Change in the Definition of a “Qualified Medical Expense”**

- **Expenses incurred for over-the-counter (OTC) medications will no longer be eligible for payment or reimbursement from any of the health care accounts unless obtained with a prescription (or insulin)**
- **Impacts FSAs, HSAs, & HRAs**
- **Effective 1/1/2011**




## **New (Higher) Penalty for Non-Qualified HSA Withdrawals**

- **The tax penalty on HSA (and Archer MSA) withdrawals that are not used for qualified**
- **Medical expenses will increase from the current 10 percent to 20 percent**
- **Effective date – 1/1/2011**



## **New (Lower) FSA Contribution Limit – Contributions to health care FSAs limited to \$2,500 annually**

- **Limit indexed annually for inflation**
- **This provision could encourage more people to consider HSAs and/or HRAs**
- **Effective date – 1/1/2013**



**New “Cadillac” Plan Tax Excise tax of 40 percent will be applied to employer-sponsored coverage that has a benefit value in excess of \$10,200 for single coverage and \$27,500 for family coverage**

- **FSA, HSA, & HRA contributions included in benefit value**
- **Tax would be imposed on insurance companies, employers, and plan administrators**
- **Will likely push companies to switch to HSA and/or HRA plans**
- **Effective 1/1/2018**



## Annual limits on out-of-pocket expenses

- **All policies must apply limits on annual out-of-pocket expenses**
- **Maximums set at current HSA out-of-pocket limits**
- **\$5,950 for individuals and \$11,900 for families for 2010 (adjusted annually for inflation)**
- **Effective 1/1/2014**



# Minimum actuarial value

**All insurance policies must provide a minimum 60% actuarial value for the benefits covered**

- **Bronze = 60 percent**
- **Silver = 70 percent**
- **Gold = 80 percent**
- **Platinum = 90 percent**

**Effective 1/1/2014**



# Minimum actuarial value

## **“Actuarial Value” defined:**

- **Percentage of covered benefits paid by the insurance plan relative to an identical plan with zero cost-sharing (i.e., no deductibles, copays, or coinsurance)**
- **Assume an average or “standard” population would enroll in the plan instead of taking into account self-selection that may occur to do plan design features like deductibles, etc.**
- **Unclear whether a plan’s actuarial value would include employer or individual HSA contributions**
- **Left up to HHS regulations**



# Minimum actuarial value

- Many HDHPs have actuarial values below 60 percent
  - Including the contributions in the calculation of a plan's actuarial value would make it easier for more HDHPs to meet the minimum actuarial value requirement
  - Including contributions in the actuarial value calculation can increase a plan's value by 10-20 percentage points (or more), depending on the size of contributions
  - Academy of Actuaries and CBO suggest including contributions may be appropriate



**In a March 2, 2010 letter to Congressional leaders, President Obama wrote:**

***“I believe that high-deductible health plans could be offered in the exchange under my proposal, and I’m open to including language to ensure that is clear. This could help to encourage more people to take advantage of HSAs.”***





## 6. Legislative Update



# Proposed Legislation – Family & Retirement Health Investment Act of 2011

## Family and Retirement Health Investment Act of 2011 (H.R. 2010 and S. 1098, currently in Committees)

### —Catch-up contributions

- Would allow spouse of an HSA account holder to double his or her catch-up contribution to account for the eligible spouse
- Would allow a senior enrolled in only Medicare Part A to continue contributing to the senior's HSA

### —Transition to HSAs

- To ease transition to HSAs, clarifies current law to provide employer greater opportunity to roll over funds from employee's flexible spending account ("FSA") or health reimbursement account ("HRA") to HSA.



# Proposed Legislation – Family & Retirement Health Investment Act of 2011

- **Would repeal restrictions on use of HSA/FSA/HRA balances for the purchase of over-the-counter medications without prescription**
- **Would allow purchase of COBRA coverage, long-term care insurance, and HSA-qualified policies from an HSA**
- **Would promote wellness by allowing HSA balances to be used for gym memberships and meal replacement products**



# THANK YOU

**Questions?  
Feel free to contact us**

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