

Health Savings Accounts: The First Six Months of 2005

July 27, 2005



health savings accounts

eHealthInsurance

Introduction:

- On January 1, 2004, Health Savings Accounts became available as a consumer-directed healthcare option for Americans, helping people attain affordable health insurance, experience flexibility in the use of their healthcare dollars, and save for their future medical needs tax-free. As the largest source of health insurance for individuals and families, eHealthInsurance immediately began offering health insurance plans that are Health Savings Account-eligible (HSA-eligible plans) for consumers to use with Health Savings Account (HSA) banking options.
- In April of 2004, eHealthInsurance released “Health Savings Accounts: The First Three Months,” the first overview of individual and family adoption of HSA-eligible plans. In response to requests for additional information, two subsequent reports were produced to review sales of HSA plans at 6 months and 1 year.
- This report, “Health Savings Accounts: The First Six Months of 2005,” provides a snapshot of the HSA market, defined as HSA-eligible plans sold by eHealthInsurance to individuals and families from January 1 through June 30, 2005. This report will compare these latest figures to those provided in the 1-year report, highlighting key changes between the two.
- The report’s focus is on the continued adoption of HSA-eligible health insurance plans, as well as trends in costs and plan benefits. For the first half of 2005, and with comparisons to 2004 data, this report will:
 - Identify and compare key demographics of purchasers of HSA-eligible health insurance plans;
 - Present and compare the monthly premiums for HSA-eligible health insurance plans; and
 - Outline the health insurance benefit levels included in the HSA-eligible plans purchased by consumers from January 1 through June 30, 2005.
- Comparisons with data on Non-HSA eligible plans will be presented in the annual version of this report to reflect information from eHealthInsurance’s most recent “Cost and Benefits of Individual and Family Health Insurance Report”.
- eHealthInsurance is the largest source of health insurance in the United States for individuals and families and represents over 140 of the leading health insurance companies across all 50 states. Our nationwide service enables us to provide a unique, unbiased analysis of consumer purchasing.

Methodology:

- “Health Savings Accounts: The First Six Months of 2005” is based on a sample of several thousand HSA-eligible plans sold between January 1 and June 30, 2005 through www.eHealthInsurance.com to individuals and families across the U.S. This report also draws from the previous release of this report for data comparison with 2004 sales.
- The term “HSA-eligible health insurance plans” is defined as those health insurance plans designated by health insurance companies to be in concurrence with U.S. Department of the Treasury HSA guidelines. These include:
 - Deductibles* of a minimum of \$1,000 for individuals and \$2,000 for families, and
 - Out-of-pocket limits** of \$5,100 for individuals and \$10,200 for families per year.
- This report does not address consumers’ participation in the Health Savings Account banking portion of a HSA program.

Notes:

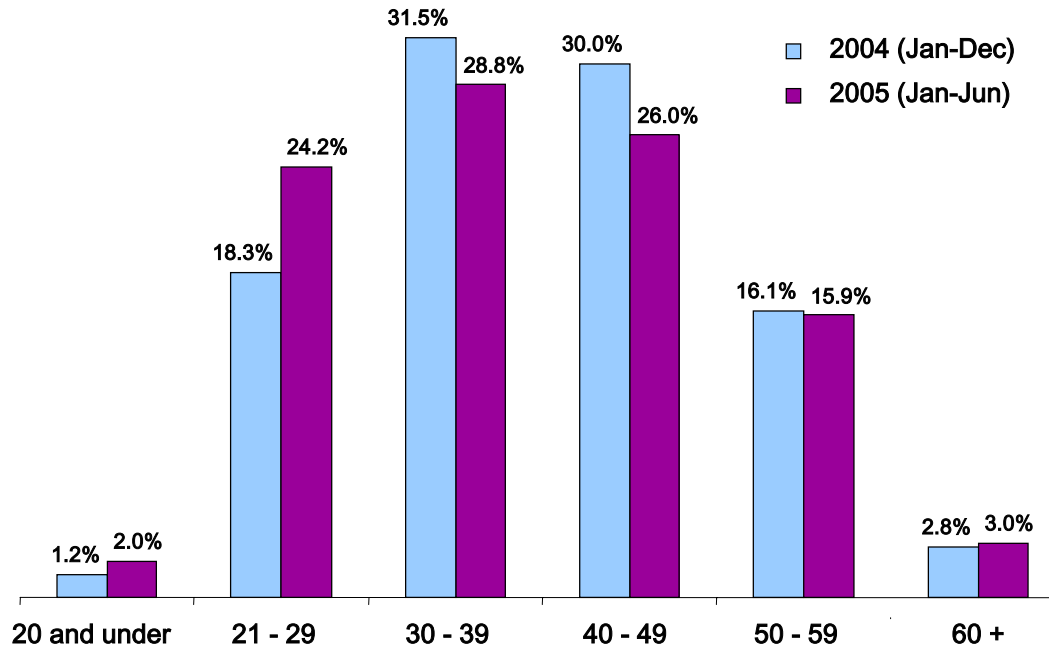
* “Deductible” is the amount of money a plan holder must pay each year to cover medical care expenses before an insurance policy starts paying. Higher deductibles usually result in lower monthly premiums.

** “Out-of-pocket limit” is the dollar amount set by an insurance company, representing the maximum amount a member is required to pay out of his or her own pocket for particular health care services during a particular time period.

Highlights on HSA-eligible plan adoption in the first half of 2005:

- In 2005 there is a modest shift toward plan purchasers in lower income levels. The percentage of HSA-eligible plan buyers in the first half of the year with incomes at or below \$50K increased by 2.5 percentage points from the previous year.
- The percentage of HSA-eligible plan purchasers with incomes of \$15K or less who were previously uninsured increased 5.1 percentage points from 44.4% to 49.5%.
- The proportion of people paying \$50 or less per month increased by 6.3 percentage points or a 75% relative increase over 2004.
- 62.6% of all HSA-eligible plan purchasers in the first half of 2005 pay \$100 or less per month for their plans.
- Overall, monthly premiums for HSA-eligible plans have decreased by an average of 15% from 2004.
- 2005 premiums for the 45-64 year old segment decreased most significantly of all age groups, with an average reduction of \$38 per month or \$456 annually, from 2004. This reflects a 17% average decrease over 2004 plan premiums.
- 2005 shows a shift toward younger buyers when compared with those who purchased HSA-eligible plans in 2004. The segment of 21-29 year olds has grown by 5.9 percentage points and is the primary driver of this change.
- Individuals (versus families) make up a larger portion of all HSA-eligible plan purchasers in the first 6 months of 2005 compared to all of 2004. The segment increased 5.8 percentage points to 57.1%.
- Overall HSA-eligible plans purchased in 2005 cost on average \$29 per month or \$348 per year less than HSA-eligible plans purchased in 2004.
- Of the HSA-eligible plans purchased in 2005, nearly 80% have prescription drug benefits and half pay 100% of the coverage after the deductible is met.
- Among HSA-eligible plans purchased in the first half of 2005, 78.5% cover hospitalization and lab/X-ray services at full cost once the plan's annual deductible is met.
- 80.8% of the HSA-eligible plans pay for 100% of emergency room visits, after the deductible is met.
- Two-thirds of plans purchased in the first half of 2005 cover office visits at full cost once the plan's annual deductible is met.

Age Distribution of HSA-eligible Plan Purchasers

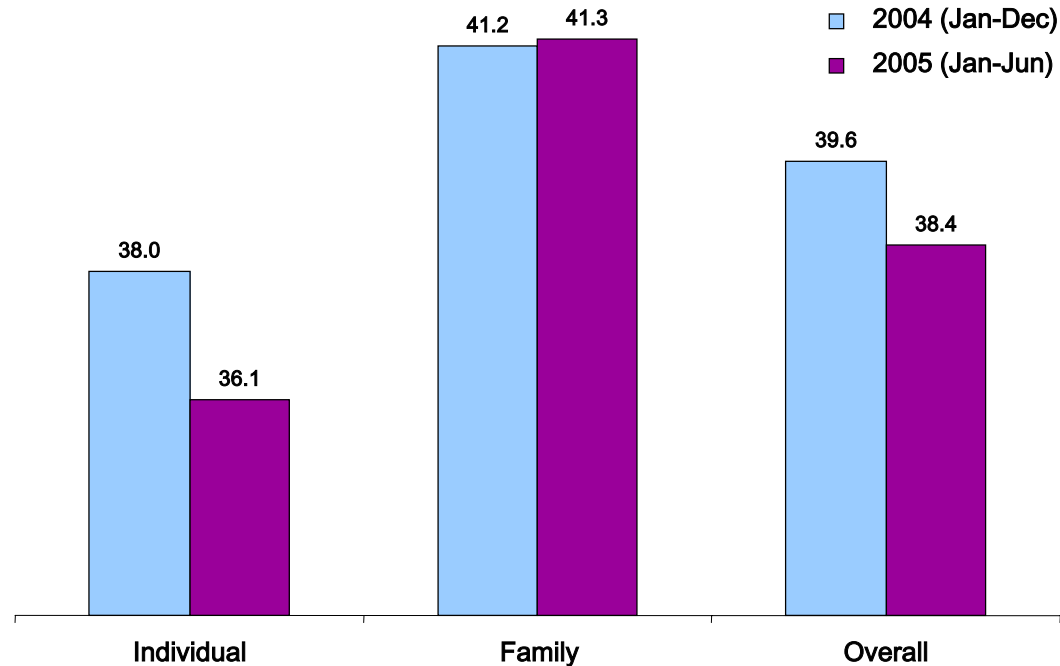


Source: eHealthInsurance

2005 shows a shift toward younger buyers when compared with those who purchased HSA-eligible plans in 2004. The segment of 21-29 year olds has grown by 5.9 percentage points and is the primary driver of this change.

- HSA-eligible plan purchasers in the first half of 2005 in the 30-39 and 40-49 age groups have decreased 2.7 and 4.0 percentage points, respectively.
- 55% of HSA-eligible plan purchasers are under 40 years of age while 45% are 40 or over.
- Nearly 19% of plan purchasers are 50 years of age or over, which has remained constant from 2004.

Average Age by Individual or Family Plan

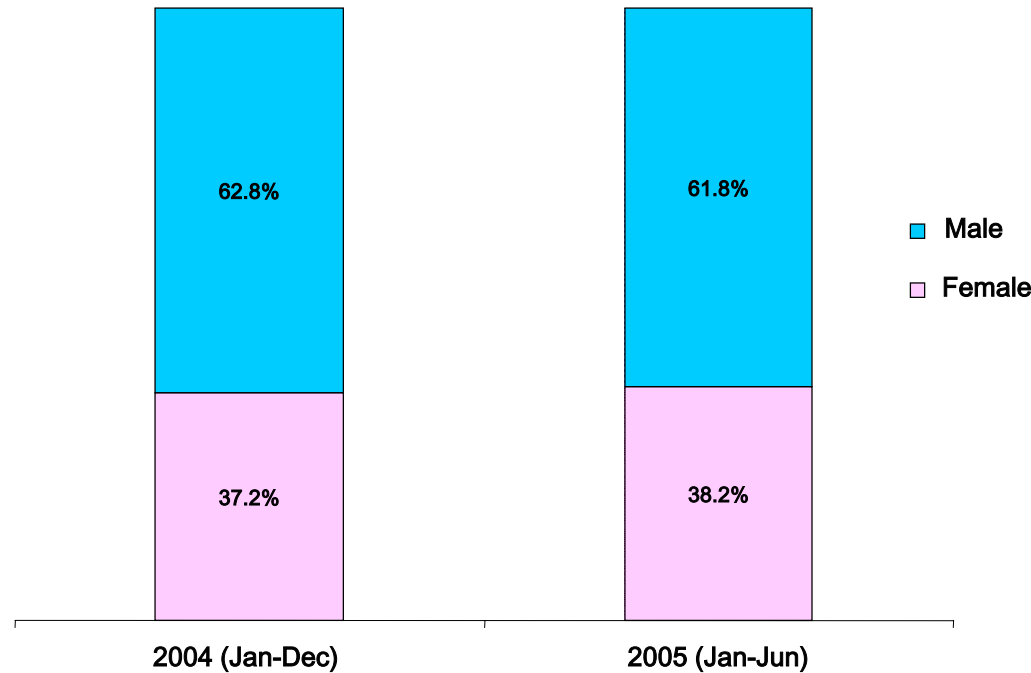


Source: *eHealthInsurance*

- The average age of all HSA-eligible plan purchasers in the first half of 2005 is 1.2 years less than those who purchased in 2004.
- While the age of purchasers of family HSA-eligible plans remained constant, the age of individuals who purchased plans is 1.9 years less than the previous year, on average.

The average age of an HSA-eligible Individual Plan buyer has decreased by almost 2 years.

Gender Distribution of Primary HSA-eligible Plan Purchasers



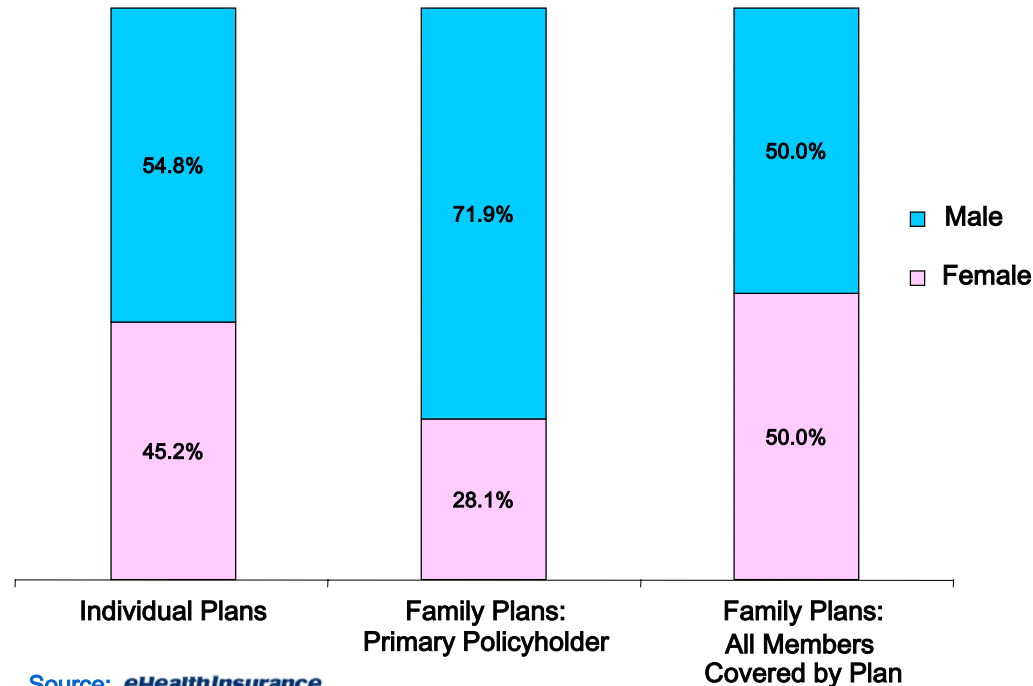
Source: [eHealthInsurance](#)

- Males continue to make up over 60% of the primary policyholders of HSA-eligible plans.

The ratio of men to women among primary policyholders remained unchanged from the prior year.

In 2005, men continue to be the larger group of policyholders over women by nearly 24 percentage points.

Gender Distribution of All HSA-eligible Plan Purchasers in the First Half of 2005

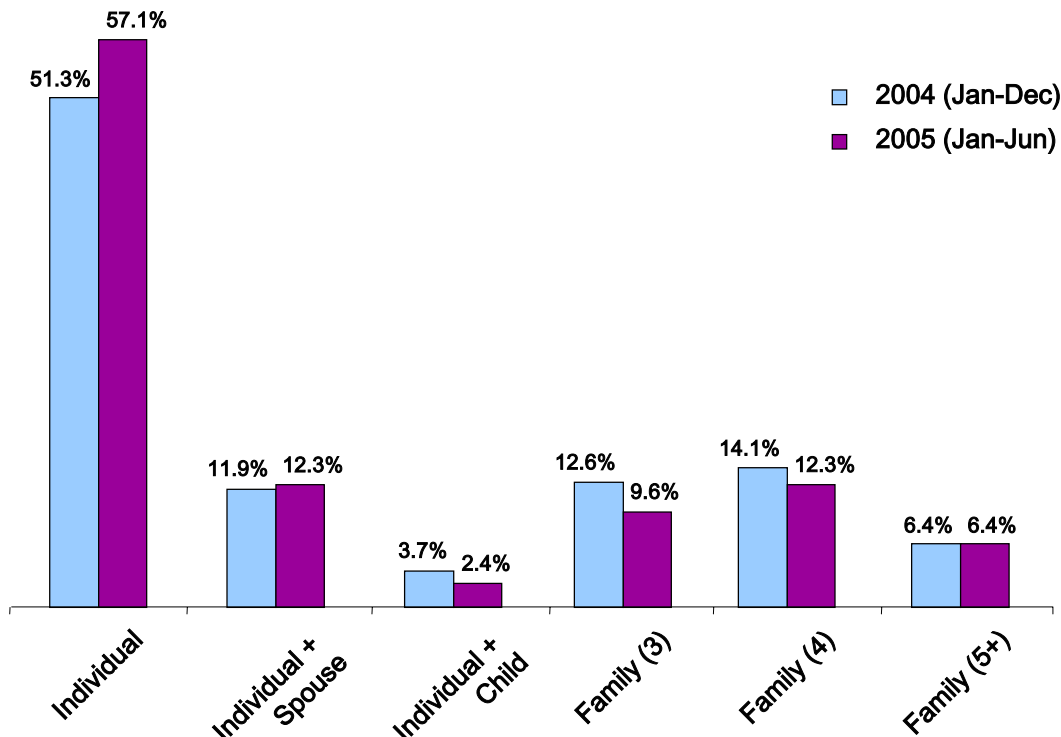


Men are more often listed as the primary policyholder on Family Plans but such plan coverage includes men and women equally.

Among purchasers of Individual Plans in 2005, the gap between men and women, at 9.6 percentage points is significantly smaller than among primary policyholders of Family Plans, at 43.8 percentage points.

- The ratio of men to women dramatically changes when comparing individual purchasers to primary policyholders of Family Plans.
 - Among Individual Plans the proportion of men to women is approximately 55% to 45%.
 - Among the primary policyholder of Family Plans, the proportion changes to 72% to 28%, respectively.
- Among Family Plans, the gender split among all members covered on the plans is exactly 50% to 50%.

Composition of HSA-eligible Plan Purchasers

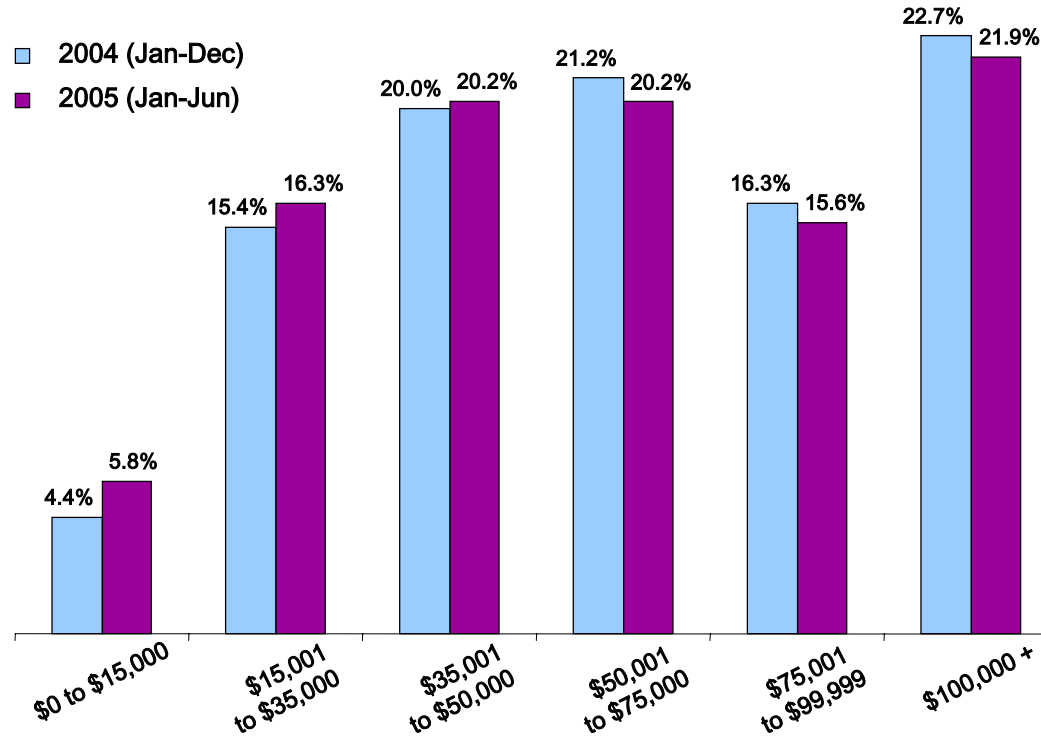


Source: eHealthInsurance

- The sales of Individual Plans have increased significantly relative to Family Plans when compared to 2004. Individual Plans have grown 5.8 percentage points from 51.3% of HSA-eligible plan sales to 57.1%.
- The family composition of buyers of Family Plans has not changed significantly since 2004.

Individuals (versus families) make up a larger portion of all HSA-eligible plan purchasers in the first 6 months of 2005 compared to all of 2004. The segment increased 5.8 percentage points to 57.1%.

Annual Income Level of HSA-eligible Plan Purchasers



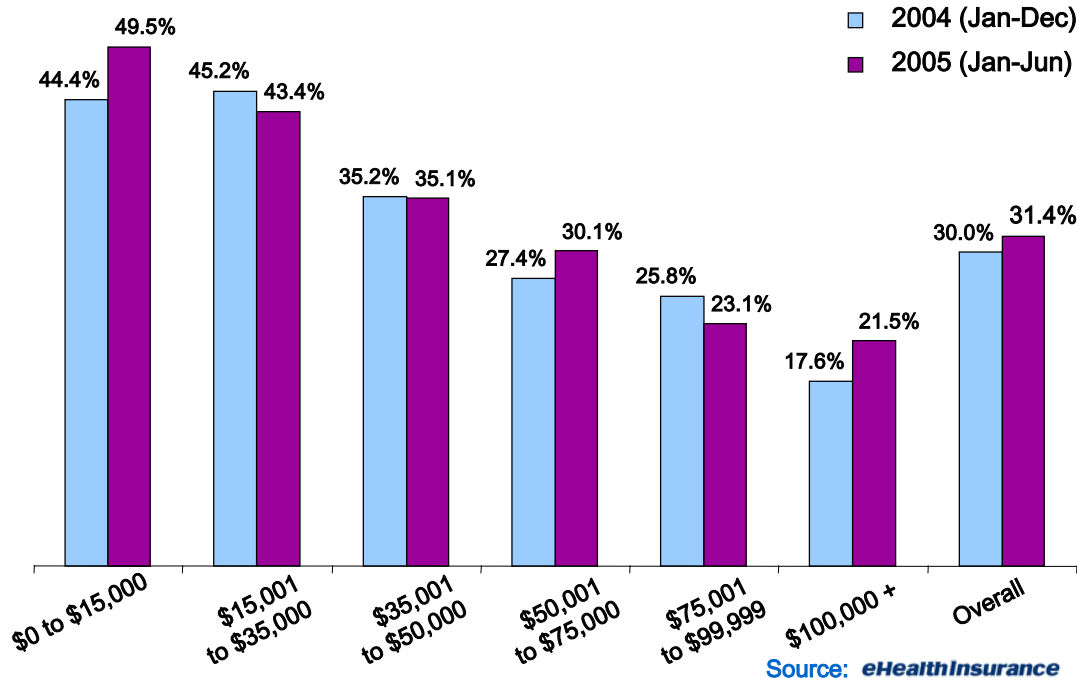
Source: eHealthInsurance

- 42.3% of all HSA-eligible plan purchasers in 2005 earned \$50,000 or less annually.

Note: "Annual income" only represents a portion of the sample of records used for this report.

In 2005 there is a modest shift toward plan purchasers in lower income levels. The percentage of HSA-eligible plan buyers in the first half of this year with incomes at or below \$50K increased by 2.5 percentage points from the previous year.

Previously Uninsured* by Annual Income Level

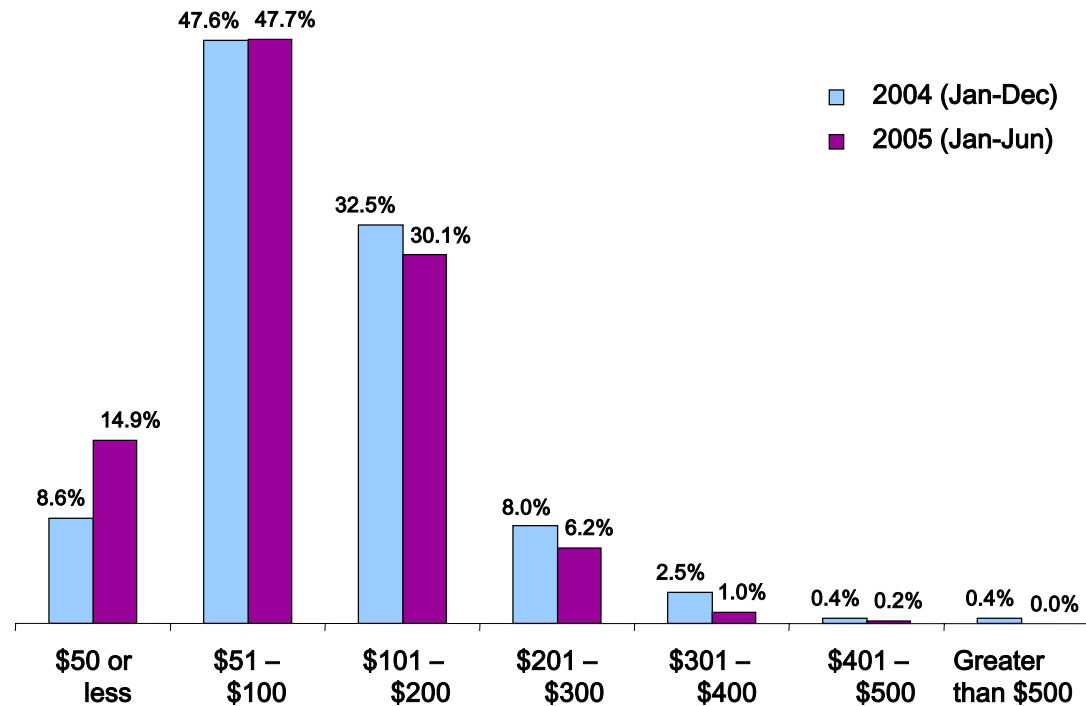


The percentage of HSA-eligible plan purchasers with incomes of \$15K or less who were previously uninsured increased 5.1 percentage points from 44.4% to 49.5%.

- Although the percentage of previously uninsured remained fairly constant from the past year, among plan buyers in the first half of 2005 with annual incomes of \$15K or less, the percentage of previously uninsured has increased 5.1 percentage points to 49.5%. The next most significant change of previously uninsured policyholder is among those with incomes of \$100K or more, with an increase of 3.9 percentage points to 21.5%.

* Note: "Previously uninsured" is defined as policyholder not having health coverage for a period of at least 6 months prior to purchasing the current coverage.

Monthly Premiums of HSA-eligible Plans



Source: eHealthInsurance

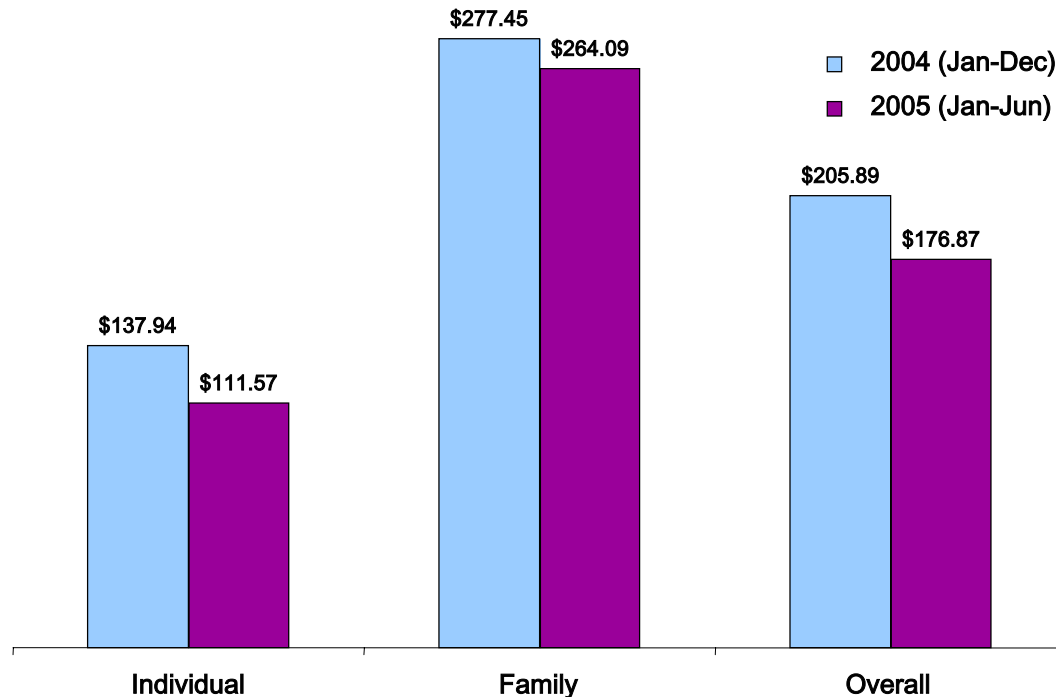
There has been a clear shift toward lower monthly premiums in the first 6 months of 2005 compared to 2004.

The proportion of people paying \$50 or less per month increased by 6.3 percentage points, or a 75% relative increase over 2004.

62.6% of all HSA-eligible plan purchasers in the first half of 2005 pay \$100 or less per month for their plans.

- Plans that cost \$50 or less per month represent nearly 15% of all HSA-eligible plans sold in 2005, representing a 6.3 percentage point and 75% increase over 2004. The most commonly purchased plans still fall within the \$51 to \$100 monthly premium price point.
- The increase in lower premium plans is likely to have an impact on the affordability of HSA-eligible plans among lower income levels.
- Only 7.8% of consumers who purchased an HSA-eligible plan in the first half of 2005 pay more than \$200 per month.

Average Monthly Premium by Individual or Family Plan



Source: eHealthInsurance

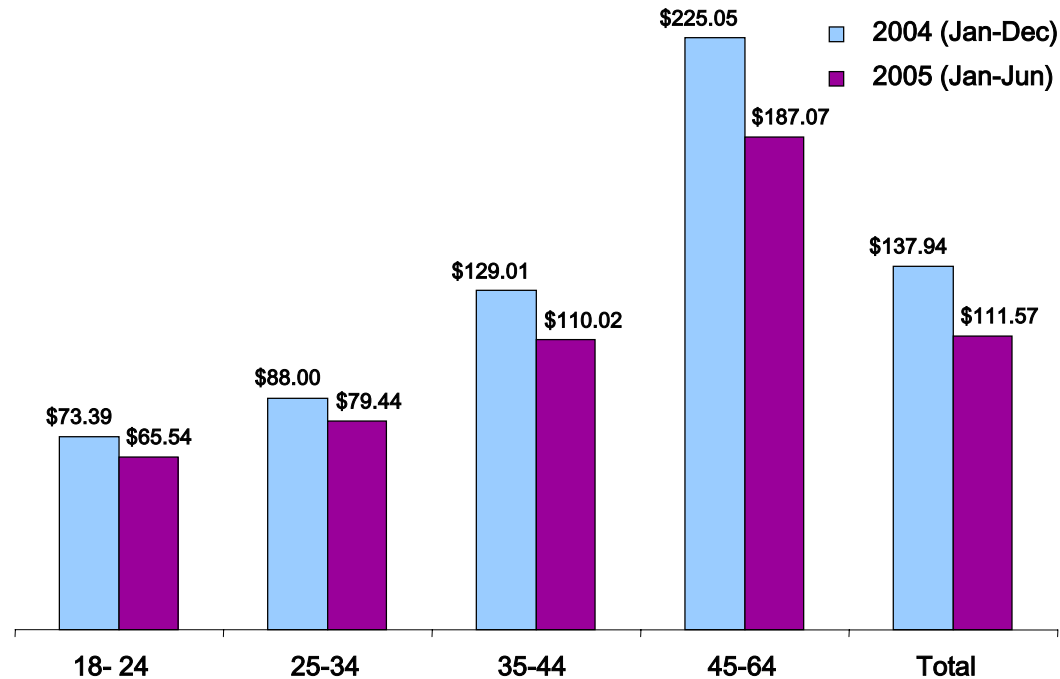
- Monthly premiums have noticeably decreased from 2004.
 - Individual Plan premiums have shown an average savings of \$26.37 per month, or \$316.44 annually, which represents a decrease of 19.1% over the previous year.
 - Family Plan premiums have decreased on average by \$13.36 per month or \$160.32 annually, which represents a decrease of 4.8% over the previous year.

Overall, HSA-eligible plans purchased in 2005 cost on average \$29 per month or \$348 per year less than HSA-eligible plans purchased in 2004.

Overall, monthly premiums for HSA-eligible plans have decreased by an average of 15% from 2004.

The largest decrease in premiums of 19% comes from Individual Plans.

Average Monthly Premium of Individual Plans by Age



Source: *eHealthInsurance*

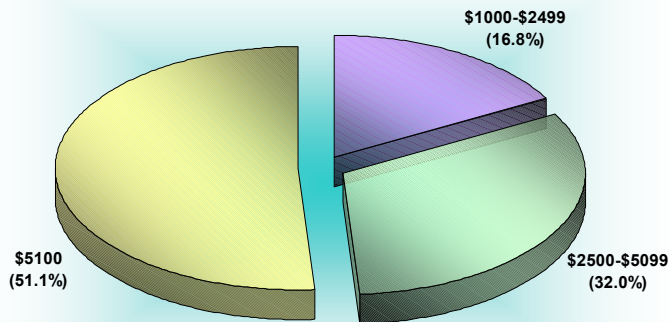
- Among Individual Plans, a decrease in price is seen universally across all age groups.
- The greatest change is seen in the 45-64 year old age group, with an average decrease of \$37.98 in monthly premiums.

Note: Because premium rates are impacted by the ages of all members covered on a plan, only data for Individual Plans are shown here.

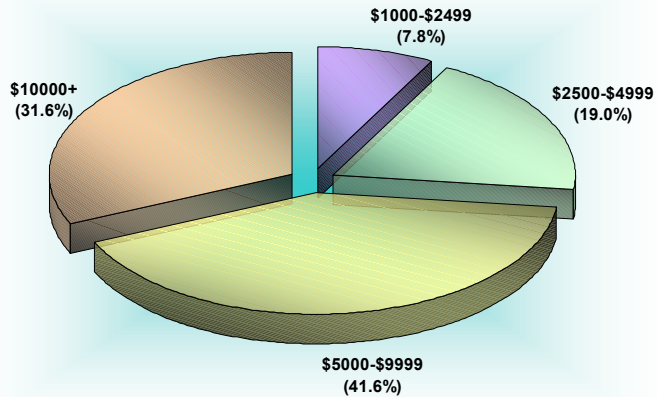
2005 premiums for the 45-64 year old segment decreased most significantly of all age groups, with an average reduction of \$38 per month or \$456 annually, from 2004.

This reflects a 17% average decrease over plan premiums in 2004.

Annual Out-of-Pocket Maximum for Plans Purchased in 2005



Individual Plans



Family Plans

Source: [eHealthInsurance](#)

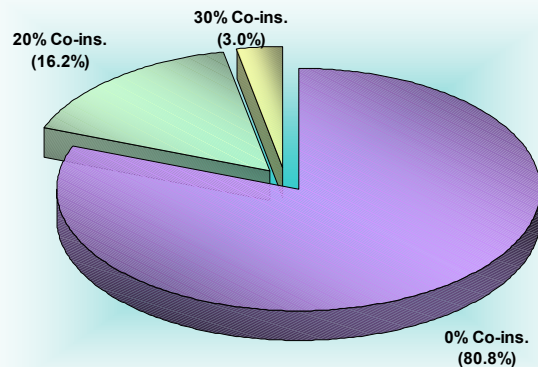
- Among plans purchased by individuals, 51.1% have an out-of-pocket limit of \$5,100. This represents an increase of 14.8 percentage points over plans purchased in 2004.
- Among plans purchased for families, just over 30% have an out-of-pocket limit of \$10,000 or higher.

Note: \$5,100 is the maximum allowable for individual HSA-eligible plans and \$10,200 is the maximum for Family Plans.

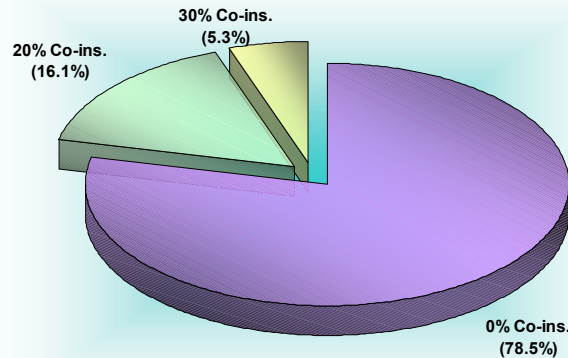
Among HSA-eligible plans purchased by individuals in the first half of 2005, nearly half of selected plans have an annual out-of-pocket limit below the maximum allowed.

Among Family Plans, the out-of-pocket limit is more widely distributed.

Benefits: ER, Hospitalization and Lab & X-ray



Emergency Room Services



Hospitalization, Lab, and X-ray Services

Source: [eHealthInsurance](#)

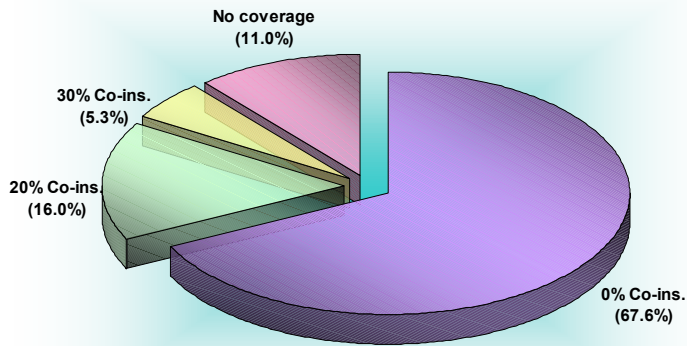
- Among the HSA-eligible plans purchased since January 2005, 80.8% offer full coverage of emergency room services, after the deductible is met, while 16.2% require 20% co-insurance.
- 78.5% of these same plans provide full coverage, after the deductible is met, for hospitalization, lab, and X-ray services, while 16.1% require 20% co-insurance.
- Compared to plans purchased in 2004, plans purchased with 0% co-insurance covering emergency room and hospitalization, lab, and X-ray costs are down 1.9 and 6.9 percentage points, respectively.

Among HSA-eligible plans purchased in the first half of 2005, 78.5% cover hospitalization and lab/X-ray services at full cost once the plan's annual deductible is met.

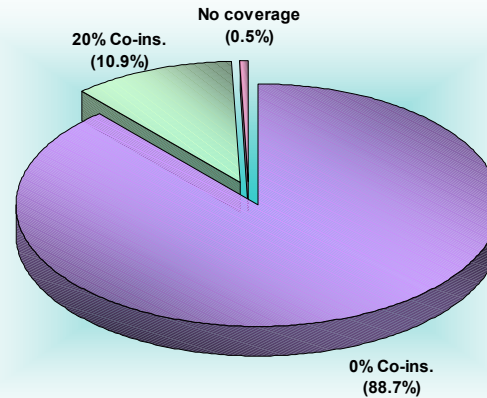
80.8% of the HSA-eligible plans pay for 100% of emergency room services, after the deductible is met.

All plans purchased offered some level of coverage for these two benefits.

Benefits: Physician Office Visits and OB/GYN Office Visits



Office Visits



OB/GYN Office Visits

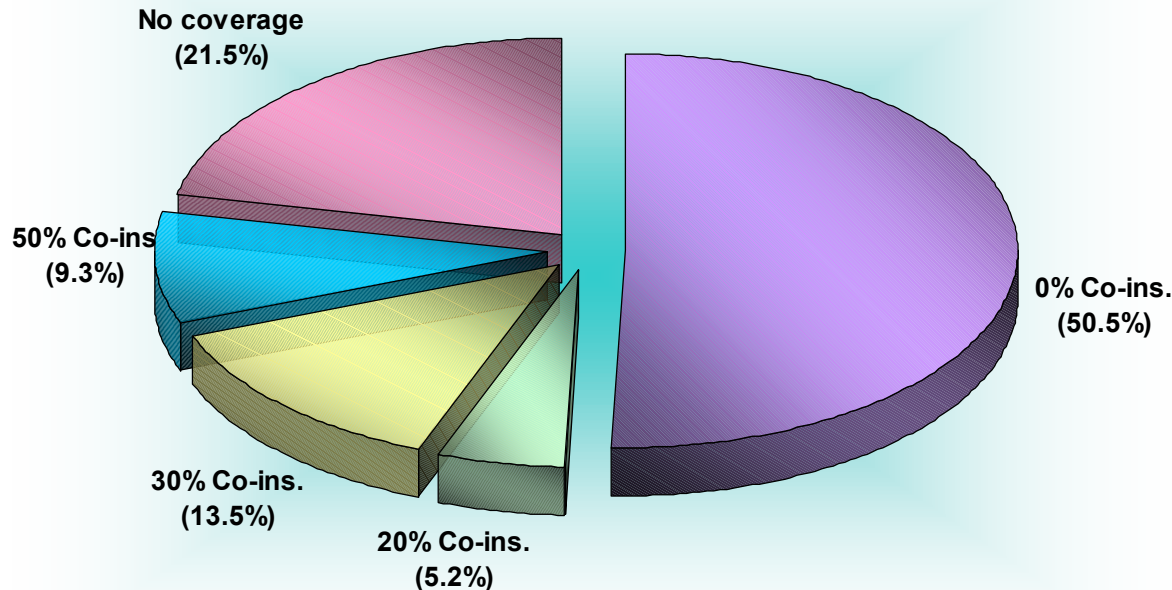
Source: [eHealthInsurance](#)

Two-thirds of plans purchased in the first half of 2005 cover office visits at full cost once the plan's annual deductible is met.

OB/GYN office visits were covered in full by 88.7% of the plans after meeting the deductible level.

- Office visits are covered to some level in nearly 90% of the purchased plans. Of these, 67.6% provide full coverage once the deductible is met.
- OB/GYN office visits are offered in 99.5% of all HSA-eligible plans purchased.

Benefits: Prescription Drugs



Source: [eHealthInsurance](#)

- 78.5% of HSA-eligible plans purchased in the first half of 2005 offer some form of coverage for prescription drugs. This represents a decrease of 20.9 percentage points from 2004.
- The largest change in prescription drug coverage is represented by plans with 0% coinsurance, which have decreased by 30.9 percentage points from plans purchased in 2004 and those purchased in the first 6 months of 2005.

Of the HSA-eligible plans purchased in 2005, nearly 80% have prescription drug benefits and half pay 100% of the coverage after the deductible is met.