CONSUMER-DIRECTED HEALTH PLANS

Health Status, Spending, and Utilization of Enrollees in Plans Based on Health Reimbursement Arrangements

What GAO Found

On average, enrollees in the HRA groups of both employers GAO reviewed spent less and generally used fewer health care services before they switched into the HRA in 2003 than those who remained in the PPO, suggesting that the HRA groups were healthier. Average annual spending per enrollee for the public employer’s HRA group was $1,505 lower than the PPO group for the 2-year period prior to switching. (Spending for the public employer was based on analysis of both medical and pharmacy claims.) Likewise, the private employer’s HRA group spent $566 less per enrollee for the 2-year period prior to switching than the PPO group (we were not able to examine pharmacy claims for the private employer). Similarly, of the 21 studies GAO reviewed that assessed the health status of HRA and other CDHP enrollees, 18 found they were healthier than traditional plan enrollees based on utilization of health care services, self-reported health status, or the prevalence of certain diseases or disease indicators. Other demographic differences may also explain spending and utilization differences including that policyholders in the HRA group were younger than those in the PPO group.

Spending and utilization for enrollees in HRAs generally increased by a smaller amount or decreased compared with those in traditional plans that GAO reviewed.

- **Public employer.** From the 2-year period before switching—2001 to 2002—to the 5-year period after switching—2003 to 2007—average annual spending for the HRA group increased by $478 per enrollee compared with $879 for the PPO group. This smaller increase for the HRA group was partially driven by decreases in spending for prescription drugs. Additionally, average annual utilization of services per enrollee increased by a smaller amount or decreased for the HRA group compared with the PPO group for six out of eight services GAO reviewed.

- **Private employer.** From the 2-year period before switching—2001 to 2002—to the 3-year period after switching—2003 to 2005—average annual spending for the HRA group increased by $152 per enrollee compared with $206 for the PPO group. This smaller increase for the HRA group was partially driven by smaller increases in spending for physician office visits and decreases in spending for emergency room services. Additionally, average annual utilization of services per enrollee increased by a smaller amount or decreased for the HRA group compared with the PPO group for four out of seven services GAO reviewed.

Similarly, GAO’s review of published studies found that seven out of eight students that examined spending and controlled for differences in health status or other characteristics reported lower spending among HRAs and other CDHP enrollees relative to traditional plans.

OPM did not provide comments on the draft report. Representatives of the two employers whose health plans GAO reviewed did not comment on the draft report.