



Highlights of [GAO-06-1133T](#), a testimony before the Subcommittee on Health Care, Committee on Finance, U.S. Senate

## Why GAO Did This Study

Health savings accounts (HSA) and the high-deductible health insurance plans that are eligible to be coupled with them are a new type of consumer-directed health plan attracting interest among employers and consumers. HSA-eligible plans constitute a small but growing share of the private insurance market, and the novel structure of the plans has raised questions about how they could affect enrollees' health care purchasing decisions and costs.

This statement is based on GAO's August 2006 report entitled *Consumer-Directed Health Plans: Early Enrollee Experiences with Health Savings Accounts and Eligible Health Plans* ([GAO-06-798](#)). In this report, GAO reviewed (1) the financial features of HSA-eligible plans in comparison with those of traditional plans, such as preferred provider organizations (PPO); (2) the characteristics of HSA-eligible plan enrollees in comparison with those of traditional plan enrollees or others; (3) HSA funding and use; and (4) enrollees' experiences with HSA-eligible plans.

[www.gao.gov/cgi-bin/getrpt?GAO-06-1133T](http://www.gao.gov/cgi-bin/getrpt?GAO-06-1133T).

To view the full product, including the scope and methodology, click on the link above. For more information, contact John E. Dicken at (202) 512-7119 or [dickenj@gao.gov](mailto:dickenj@gao.gov).

# HEALTH SAVINGS ACCOUNTS

## Early Enrollee Experiences with Accounts and Eligible Health Plans

### What GAO Found

HSA-eligible plans had lower premiums, higher deductibles, and higher out-of-pocket spending limits than did traditional plans in 2005, but both plan types covered similar services, including preventive services. For the three employers' health plans GAO reviewed to illustrate enrollees' potential health care costs, GAO estimated that HSA-eligible plan enrollees would incur higher annual costs than PPO enrollees for extensive use of health care, but would incur lower annual costs than PPO enrollees for low to moderate use of health care.

HSA-eligible plan enrollees generally had higher incomes than comparison groups, but data on age differences were inconclusive. In 2004, 51 percent of tax filers reporting an HSA contribution had an adjusted gross income of \$75,000 or more, compared with 18 percent of all tax filers under 65 years old. Two of the three employers GAO reviewed, the Federal Employees Health Benefits Program, and a national broker of health insurance also reported that HSA-eligible plan enrollees had higher incomes than traditional plan enrollees in 2005.

Just over half of all HSA-eligible plan enrollees and most employers contributed to HSAs, and account holders used their HSA funds to pay for medical care and accumulate savings. About 55 percent of HSA-eligible plan enrollees reported HSA contributions to the Internal Revenue Service in 2004, and about two-thirds of employers offering HSA-eligible plans contributed to their employees' HSAs. About 45 percent of tax filers reporting 2004 HSA contributions also reported that they withdrew funds in that year, and 90 percent of these funds were withdrawn for qualified medical expenses. The other 55 percent of those reporting HSA contributions did not withdraw any funds from their HSA in 2004.

HSA-eligible plan enrollees who participated in GAO's focus groups generally reported positive experiences, but most would not recommend the plans to all consumers. Few participants reported researching cost before obtaining health care services, although many researched the cost of prescription drugs. Most participants were satisfied with their HSA-eligible plans and would recommend them to healthy consumers, but not to those who use maintenance medication, have a chronic condition, have children, or may not have the funds to meet the high deductible.