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MEDICAL SAVINGS ACCOUNTS

Findings From Insurer Survey

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Health, Education, and
Human Services Division

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December 19, 1997

The Honorable William V. Roth
Chairman
The Honorable Daniel Patrick Moynihan
Ranking Minority Member
Committee on Finance
United States Senate

The Honorable Bill Archer
Chairman
The Honorable Charles B. Rangel
Ranking Minority Member
Committee on Ways and Means
House of Representatives

The Health Insurance Portability and Accountability Act of 1996 established a demonstration of Medical Savings Accounts (MSA) and directed GAO to contract for a study of MSAs, including consumer choice and the scope of high-deductible plans purchased in conjunction with MSAs. We competitively awarded four contracts to companies with experience in health economics, health insurance, and actuarial science and selected Westat and its partners to complete a study of insurers' response to MSAs.

The first phase of that study has been completed and is included in this report. The final report of the MSA study will be submitted, as provided in the law, no later than January 1, 1999.

Please contact me at (202) 512-6806 or William J. Scanlon, Director, Health Financing and Systems Issues, at (202) 512-7114 if you or your staffs have any questions.

Richard L. Hembra
Assistant Comptroller General

Westat Report on Insurer Survey

COMPREHENSIVE STUDY OF THE MEDICAL SAVINGS ACCOUNT DEMONSTRATION
Task Order 97-2 -- INSURER SURVEY

PHASE I FINAL REPORT
EXECUTIVE SUMMARY

December 15, 1997

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U.S. General Accounting Office
441 G Street, NW
Washington, DC 20548

under
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Submitted by:

Westat
1650 Research Boulevard
Rockville, Maryland 20850-3129
(301) 251-1500

In affiliation with:

Barents Group
2001 M Street, NW
Washington, DC 20036

Project HOPE
7500 Old Georgetown Road
Bethesda, MD 20814

The Hay Group
1500 K Street, NW
Washington, DC 20005

MEDICAL SAVINGS ACCOUNT DEMONSTRATION
SUMMARY FINDINGS FROM FIRST INSURERS SURVEY

The Health Insurance Portability and Accountability Act of 1996 (HIPAA) created a four-year demonstration program for Medical Savings Accounts (MSAs). MSAs are tax-favored trusts or custodial accounts that are used in conjunction with qualified high-deductible health insurance plans (qualified plans) for paying for approved medical expenses. Qualified plans are comprehensive health insurance products that meet certain conditions concerning annual deductible amounts, maximum out-of-pocket limits, and coverage of state-mandated preventative care benefits.[i]

The demonstration began on January 1, 1997, and is limited to self-employed individuals and employees of small businesses with 50 or fewer employees. For 1997, total enrollment in the demonstration is capped at 375,000 MSA accounts by April 30, 1997, and 525,000 accounts by June 30, 1997. For 1998, enrollment is capped at 600,000 accounts by April 15, 1998. Finally, the overall demonstration cap is 725,000 accounts.

The research conducted for this report provides a picture of the early stages of the MSA demonstration. Key observations include:

- The insurance industry responded rapidly with almost 60 companies offering qualified products by the summer of 1997.
- Consumer demand has been lower than many in the industry anticipated. Lower demand reflects, in part, the complexity of the qualified plan/MSA product for both agents and consumers. Insurers report that product sales have been increasing over time.
- A wide range of insurers offer qualified plans and both traditional indemnity products and plans with managed care features (principally preferred provider organizations) are available.
- Qualified plans have somewhat more generous benefits than other high deductible products offered by the same insurer.
- The majority of companies sell qualified plans bundled with the Medical Savings Accounts.

[i] Specifically, annual deductibles must fall between $1,500 and $2,250 for individual coverage, and between $3,000 and $4,500 for family coverage. In addition, the annual out-of-pocket maximum cannot exceed $3,000 for individual coverage and $5,500 for family coverage.

These observations are based on a survey of the insurance industry conducted by Westat and its partners in the summer of 1997. The objective of this survey was to examine the early development of the market for MSA products. The Westat team interviewed more than 300 organizations in the health insurance and health maintenance organization (HMO) industry who make product decisions for nearly 700 insurers and HMOs[ii]. The survey asked all responding organizations whether they were offering or planning to offer MSA-qualified health plans, and about the factors leading to the decision. It also asked those offering qualified plans about the products offered, the markets they operated in, and their marketing strategies.

It is important to note that the statistics derived from the surveys are not "national estimates" in a true statistical sense. The Insurer Survey was essentially a census of organizations making comprehensive health insurance product decisions, with the exception of small HMOs, for whom a one-third sample was contacted. However, because some insurers and HMOs refused to participate and because those who did participate did not always answer all of the survey questions, the survey cannot reliably estimate, for example, the number of qualified plans sold. The research team is confident, however, that the study design identified virtually, if not literally, all insurers offering qualified high deductible plans at the time of the survey, and that the experiences of those insurers and HMOs who were interviewed are representative of the industry as a whole.

The following discussion presents the quantitative and qualitative findings of the survey in response to the principal questions it was designed to answer. Because the MSA market is so new and changing so rapidly, there continue to be changes to the market for MSA qualified plans. Nevertheless, the survey results do present a wide-ranging view of the market for MSA-qualified health plans in the summer of 1997.

How is the market developing?

Insurers reacted quickly to the MSA demonstration. A number of insurers quickly developed qualified plans for the small group and self-employed markets. A major reason was the expected fast demonstration start-up and possibility of reaching the demonstration cap. At

[ii] Some 315 screening interviews were conducted with eligible decision-making entities, and another 378 subsidiary insurers and HMOs were represented in these interviews. The screener response rate was 78 percent. Follow-up interviews were conducted with 39 offerors of qualified plans, including 17 in-depth, in-person interviews; follow-up interviews were also conducted with eight insurers that were planning to offer qualified plans and 193 insurers that were not offering or planning to offer.

the time of the survey, 54 insurers and 3 HMOs offered qualified plans (see Table 1), and another 15 insurers and 8 HMOs reported that they were planning to do so. Both the individual and small group markets are developing, with over 80 percent of offerors having qualified individual plans and just under 80 percent having qualified small group plans.

MSA-qualified health plans were widely available by the summer of 1997. By the summer of 1997, all states had approved qualified plans among responding insurers. Figure 1 depicts the number of approved qualified plans in each state. Over half the states had 6 or more qualified plans available. States in the South-central and Midwest have the greatest number of approved qualified plans among responding insurers; states in the Northeast and northern Great plains have the fewest.

Figure 1: Number of Approved Qualifying Plans by State

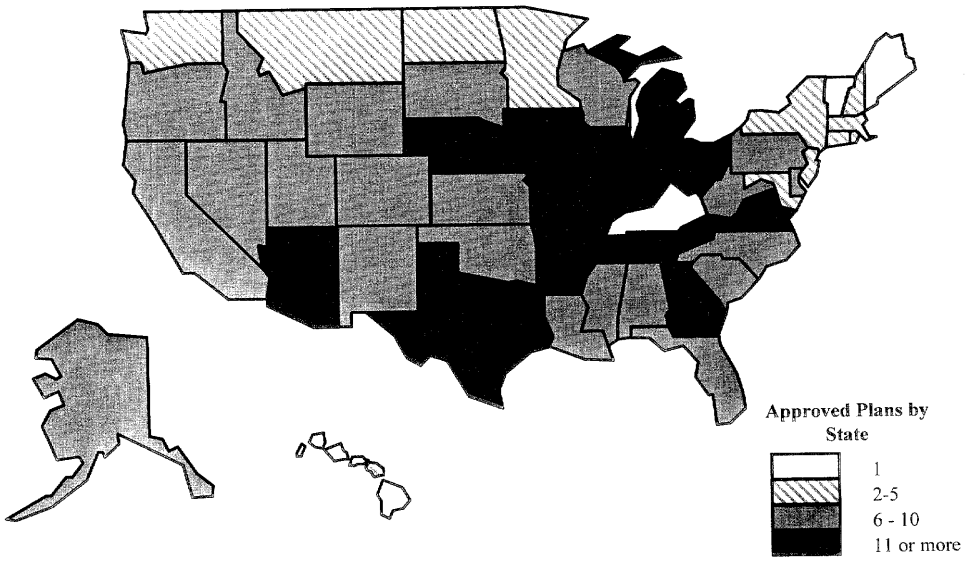


Table 1. Insurers and HMOs Offering Qualified High-Deductible Plans

Blue Cross/Blue Shield Insurers	Insurers (Non-BC/BS)
Blue Cross of CA	American Community Mutual Ins. Co.
Blue Cross of Washington & Alaska	American Fidelity Ins. Co.
Blue Shield of CA	American Medical Security Ins. Co.
Blue Shield of Idaho	American National Life Ins. Co. of TX
Blue Cross Blue Shield of IL	American Republic Insurance
Blue Cross Blue Shield of IA	American Union Life
Blue Cross Blue Shield of MI	Anthem Health & Life Ins. Co.
Blue Cross Blue Shield of NJ	Central Reserve Life Insurance Company
Blue Cross Blue Shield of SC	Central State Health & Life Co. of Omaha
Blue Cross and Blue Shield of SD	Connecticut National Life
Blue Cross Blue Shield of TX	Continental National
Blue Cross and Blue Shield of UT	Freedom Life/Westbridge Marketing
Blue Cross Blue Shield United of WI	Golden Rule Ins. Co.
CommUnity Financial and Insurance Corp.	Life Investor Ins. Co. of America
Fingerlakes Blue Cross Blue Shield	Medical Benefits Mutual Life Ins. Co.
Mountain State Blue Cross & Blue Shield	Medical Savings Ins. Co.
Trigon Blue Cross Blue Shield of VA	Mega Life and Health Ins. Co.
UNICARE	Mennonite Mutual Aid
	MMA Insurance Company
	Mutual of Omaha Ins. Co.
Blue Cross/Blue Shield HMO	National Travelers Life Company
	NYLCare Health Plans
CompCare Health Services Insurance Corp.	Pacific Health and Life Ins.
	Pacific Heritage Assurance Co
	PFL Life Insurance Company
Other HMO	Philadelphia American Life/New Era Enterprises
	Starmark
Cohen Medical Corp./Tower Health Services	Support Services Alliance
SelectMed	Teachers Protective Mutual
	The Centennial Life Ins. Co.
	Time Ins. Co.\Fortis Benefits Ins. Co.
	United Chambers Life Ins. Co.
	United HealthCare
	United States Life Ins. Co.
	Humana*
	HPS*

*Will stop offering qualifying plans in Fall 1997.

How have sales of qualified plans met early expectations?

The sales of qualified plans have not met the initial expectations of the insurance industry. About 78 percent of 32 responding offerors reported that sales of qualified plans were lower than expected. The Internal Revenue Service (IRS) reported that 22,051 MSAs had been opened between January and June 1997[iii], well below the HIPAA cap of 525,000 accounts by June 30th.

When the Health Insurance Portability and Accountability Act of 1996 was passed, many in the insurance industry believed that the qualified plans would be a popular product and that the enrollment cap would be reached within months of implementation. In retrospect, expectations of rapid growth may simply have been unrealistic. The market for new products often takes time to develop, and the qualified plan/MSA combination is a rather complex product for both buyers and sellers.

Insurance brokers and agents may have lacked the knowledge and incentive to sell qualified plans and MSAs aggressively. In the small group and individual markets, health insurance is sold primarily by independent brokers and agents. Insurers reported that many agents and brokers had never dealt with financial products like MSAs. Their unfamiliarity combined with the need to explain the interaction of the qualified plan and the MSA may have been a barrier to early sales. In addition, commissions for qualified plans (and high deductible products generally) are often lower than for more traditional products that are also easier to explain, providing further disincentives for brokers.

Insurers report that consumers have been cautious in purchasing MSAs, inhibited by the complexity of the product and lack of understanding. Insurers and trade organizations reported that many consumers sought MSA information, but that this initial interest often did not result in sales. Lack of understanding of the product was often cited. Some insurers noted that consumers may be uncomfortable purchasing qualified plans and opening MSAs under a pilot program that is scheduled to end in four years. Other consumers have erroneously attributed the "lose-it-or-use-it" feature of flexible savings accounts to MSAs. One insurer reported that a small employer purchased the qualified plan because the group misunderstood the MSA concept and thought that instead of paying a premium for the qualified plan, they were able to deposit the premium into employees' MSAs.

[iii] of which 17,145 counted towards the demonstration cap.

The demand for qualified plans and MSAs may be increasing. The number of MSAs opened doubled between the first and second IRS reporting dates. Insurers indicated that sales have been steadily increasing over the past few months. They reported that brokers and agents have become more familiar with the products and marketing efforts may be increasing consumer awareness of the products.

Two demonstration requirements -- the structure of the family deductible and the out-of-pocket maximum -- could affect the market for qualified plans. HIPAA, as interpreted by IRS, requires that qualified family policies may not have individual deductibles embedded below the level of the family deductible. The use of such embedded deductibles is the standard practice in the insurance industry. Insurers reported concerns of potential consumers who are accustomed to the embedded deductible. Two insurers offering qualified plans at the time of the survey said they would be leaving the market because of the IRS ruling on embedded deductibles.

Another concern expressed by some insurers relates to the out-of-pocket maximum. The demonstration requires that qualified plans pay for all covered services once the out-of-pocket maximum has been reached, regardless of whether the services are obtained in or out of a plan's network of providers. To help manage costs, network plans, such as Preferred Provider Organizations (PPOs), provide financial incentives to use in-network providers. However, once the maximum out-of-pocket level is reached, insurers are required to cover all approved service costs whether received in or out of the plan's network. Network plans are concerned because the deductible comprises a large portion of the maximum out-of-pocket expense. The balance between the deductible and the out-of-pocket maximum does not provide a sufficient financial penalty for consumers to use in-network providers.

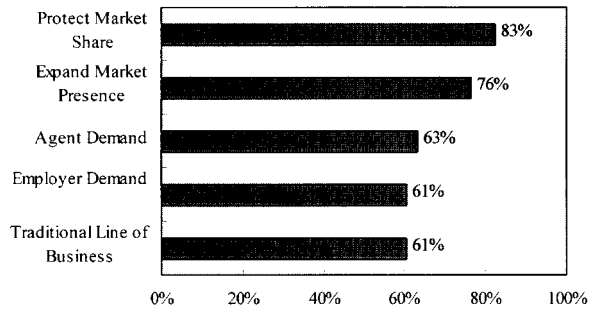
Which insurers are participating in the demonstration, and why?

The project team identified 57 insurers and HMOs offering qualified plans. (See Table 1.) Of 54 offering insurers, 18 were Blue Cross/Blue Shield plans and 36 were other insurers. The proportion of Blue and non-Blue plans offering qualified plans is very similar--just over one-third of decision-making entities of each type reported that they were offering qualified plans. Only three HMOs--one Blue plan and two others--were offering qualified plans at the time of the survey.

Insurers offering qualified plans are quite diverse, but they differ somewhat from insurers not offering qualified plans. A number of different types of insurers have entered the MSA market. Offerors include large Blue plans, national commercial insurers that have traditionally focused on the small and/or individual markets (e.g., Golden Rule, Time, United Chambers), and smaller regional companies (e.g., American Union Life, Pacific Heritage Assurance). Absent from the list of offerors, in addition to most HMOs, are the very large commercial insurers such as Prudential, CIGNA, and Aetna. Offerors were more likely than other plans to have participated in the small group and individual markets before the demonstration. Offerors also tended to have a wider geographic presence than other plans (excluding the largest commercial insurers).

Perceptions about the market were the most important factors in the decision to offer. Protecting market share was the factor most frequently mentioned by offerors as encouraging participation (see Figure 2). More cautious insurers felt compelled to offer out of a belief that the demonstration cap would be reached early on, which would lock out late entrants. In contrast, more aggressive insurers considered the demonstration as an opportunity to expand their market share, for example by establishing a reputation as on the "cutting edge" of the industry. Finally, other offering insurers felt compelled to participate out of concern that, given their market presence, not participating would reduce the viability of the demonstration.

Figure 2: Factors that Most Encouraged Insurers to Offer Qualified Plans



Though decisions were market driven, market research did not play an important role in forming perceptions about the market. Over half of responding insurers engaged in little, if any, formal market research. A sense of urgency to enter the market before the demonstration enrollment cap was met led some insurers to forego market research. Others, however, indicated that because development costs were low (requiring only minor modifications to existing products) and the responsibility to sell the qualified plan was on brokers and agents, there was little need to conduct formal market research. Among insurers who did conduct or review market research, it tended to be a discouraging rather than encouraging factor in the decision.

Other market factors offerors viewed as encouraging in the decision to offer included perceived market demand, both from agents and consumers, and the fact that the demonstration targeted their traditional markets. Other aspects of the demonstration, including the cap on sales, the short time between the legislation being signed into law and the start of the demonstration, the design of the maximum out-of-pocket limit, and the general lack of Federal guidance on details of the implementation, were viewed more as discouraging factors. State regulatory factors were generally viewed as having no effect on the decision to offer.

What factors have influenced the decision not to participate?

Low expected sales was the most frequently mentioned reason for not entering the market. As with insurers choosing to offer qualified plans, this expectation was often not based on formal market research. Other factors contributing to the decision not to participate in the MSA market included difficulty in locating financial institutions to partner with, lack of presence in the individual and small group markets, and general uncertainty about the market and/or products.

Several insurers indicated that the demonstration design limited their desire to participate. Specific changes suggested were expanding the demonstration to larger employers and increasing the maximum out-of-pocket limits.

State and regulatory factors were not considered very important in the offering decision. Although a number of insurers indicated in the site visits that regulatory factors were a consideration, they were generally subordinate to insurers' perception of the market. A survey of state insurance commissioners found only six states with statutes that may restrict insurers' ability to offer high deductible plans in either the individual or small group market.

Only 3 HMOs were participating in the demonstration. The most common reason mentioned by responding HMOs for this low participation rate was that a high deductible plan was inconsistent with the concept of the HMO. In some instances, HMOs reported that state regulation prohibited high deductibles for products issued under an HMO license. The perceived lack of demand was also reported as important in the decision not to offer.

What are the features of qualified plans?

Benefit structure of qualified plans

Most insurers have developed qualified plans by modifying an existing product. Eighty-seven percent of insurers offering qualified plans reported they had modified existing products. The most common modifications were increasing the deductible, reducing the out-of-pocket maximum, and eliminating coverage for prescription drugs below the level of the deductible.

Twenty-nine insurers provided the research team with brochures describing their qualified and non-qualified high deductible products. About two-thirds of the qualified plans examined were indemnity-based, and the remaining one-third were PPOs[iv]. The findings that follow are based on detailed review of the plan brochures.

Qualified plans have somewhat more generous benefits than other high deductible plans offered by the same insurers. In brief, qualified plans differ from non-qualified high deductible (at least $1000 individual deductible) plans in the following features:

- The range for deductibles of qualified plans is limited by the law, to between $1500 and $2250 for individuals and between $3000 and $4500 for families. Non-qualified plans examined had a wider range of deductibles, both higher and lower than the ends of the qualified range.
- Out-of-pocket maximums are lower for qualified plans, again attributable to the demonstration design.

[iv] One plan reported offering a qualified exclusive provider organization but the team did not obtain a product brochure. The team also did not receive plan descriptions for the three HMOs that reported offering a qualified plan.

- Coinsurance rates for qualified PPO plans are more generous than for non-qualified PPO plans.
- Mental health benefits are covered by a larger percentage of qualified plans, and the benefits are more generous than in non-qualified plans covering mental health.
- Preventive care benefits are covered by a larger percentage of qualified than non-qualified plans.

Several plans offered as MSA-qualified have features that appeared to be in conflict with the allowable design. Specifically, one or more plans examined included:

- Co-payments for physician office visits;
- First dollar coverage for preventive care where such care is not a state mandated benefit;
- Cost sharing for out-of-network services above the out-of-pocket maximum;
- Embedded deductibles (approximately one third of qualified plans were not structured in accordance with the Treasury ruling on embedded deductibles, which allowed a grace period through November 1997).

Premium structure of qualified plans

Insurers are following similar strategies pricing both qualified and non-qualified high deductible plans. Project team actuaries evaluated plan benefits and premiums for qualified and non-qualified high deductible plans. The actuarial value of qualified plans compared to their premiums is quite similar to that of other high deductible products[v]. This finding is consistent with the pricing and underwriting practices reported by insurers from our survey.[vi]

Insurers view high-deductible plan enrollees as presenting a lower claims risk than enrollees in traditional low deductible plans. Analysis of plan benefits and premiums shows that the ratios of actuarial value to premium (the relationship between the value of the benefit and the enrollee's purchase cost for the benefit) for high deductible plans are significantly greater than

[v] The ratio of actuarial value to premiums for qualified plan is 98 percent of the ratio for non qualified plans.

[vi] About 90 percent of responding insurers indicated that they used the same pricing and underwriting practices in establishing premiums for their qualified and non-qualified high-deductible plans.

the ratios for low deductible plans[vii]. Insurers expect relatively better health status and lower service utilization by enrollees selecting high deductible plans and price their products accordingly. Insurers confirmed this conclusion in the survey.

How are qualified plans being sold?

Insurers primarily rely on independent brokers and agents to sell qualified plans. As shown in Table 2, more than 90 percent of insurers offering qualified plans in the individual market used brokers and agents to market qualified plans, and 86 percent of the insurers used brokers and agents in the small group market. Another 43 percent in the small group market and 35 percent in the individual market used formal sales presentations as their marketing strategy[viii]. Results indicated that insurers participating in the evaluation used direct marketing techniques such as direct mail and media advertisements (such as newspapers, radio, and television) less frequently than face-to-face sales presentations by brokers and agents.

Table 2. Methods Used to Market Qualified Plans

Method	Small Group (%)	Individual (%)
Agent/Broker	86	92
Formal Sales	43	35
Direct Mail	39	46
Seminars	39	31
Newspaper/Magazine Advertisements	36	38
Mass Mailings	29	31
Radio Advertisements	25	23
Internet	18	23
Telephone Solicitations	18	23
Television Advertisements	14	15
Other	39	19

[vii] The ratio of actuarial value to premiums for qualified plans is 30 percent higher than for traditional low deductible plans.

[viii] In most cases, insurers were conducting the formal sales presentation to brokers and agents.

Some insurers took a passive approach to marketing qualified plans. During our in person discussions with insurers, some described their marketing strategy for qualified plans as passive. One company explained that they originally entered the MSA market due to pressure from their brokers and agents to develop qualified plans. Since the development of their qualified plan and creation of marketing materials, the company has since left the much marketing responsibility to their brokers and agents. Another insurer mentioned that developing qualified plans was a defensive strategy. Because of their brand image in the health insurance market, the company wanted to be prepared and ready for when MSAs would be in high demand in the marketplace. Until that time, qualified plans are available if an interested individual or small employer specifically requests them.

Some insurers reported misjudging the reticence of the broker community to sell qualified plans and MSAs. Several issues were raised by insurers.

- Brokers need more training to effectively sell qualified plans because of the added complexity of the tax effects of MSAs.

- Commissions, which are often a percentage of premiums, are generally lower for high deductible products than more comprehensive products. Combined with the added complexity of the product, lower commissions were cited as a significant deterrent to product sales. In general, brokers also receive little[ix] or no commission for selling the savings vehicle component of the MSA product.

- Agents and brokers also seem to spend more time on average selling the qualified plans and MSAs than other health insurance products. At an extreme, one insurer estimated that agents spent about fifteen minutes selling a general health insurance policy while the MSA product required about an hour and a half to explain the interaction between the health insurance plan and the savings vehicle.

[ix] For example, one trustee/administrator of an MSA charges a $50 one-time initial set-up for the account, with $25 of the fee given to brokers as a commission.

What groups are the focus of product marketing?

Some insurers reported targeting current subscribers of high-deductible or traditional indemnity plans and professionals with high-incomes. Insurers are motivated to target customers who are seen as likely to buy the product. These customers are familiar with similar types of insurance plans or are more likely to understand and want to take advantage of the tax advantages of MSAs. About one-quarter of insurers who answered the long survey reported that they targeted current subscribers of high-deductible plans or traditional indemnity products. About one-third of insurers targeted their qualified plans to individuals with higher incomes and professionals, such as physicians, lawyers, and certified public accountants. The in-depth interviews revealed that insurers were motivated to target higher income professionals because they were more likely to purchase the product rather than because they were likely to use fewer medical services than other potential purchasers.

Several insurers also target professional partnership firms, such as law and accounting firms. Partners of large firms are eligible to purchase qualified plans and MSAs because these individuals are considered self-employed for tax purposes, and the size of their firm is not considered. About 57 percent responding to the long survey mentioned that they offered qualified plans to partners of large firms.

According to the Treasury Department, 3,670 previously uninsured individuals opened MSAs as of June 30th. Our in-depth surveys indicated that insurers did not consistently target uninsured individuals when marketing qualified plans.

Do insurers offer MSAs with qualified plans?

About two-thirds of insurers offer their qualified high-deductible plans together with MSAs. About 18 percent of insurers reported that MSAs **must** be opened with the purchase of a qualified high-deductible plan, and about 46 percent responded that MSAs **can** be opened with the qualified high-deductible plan. The remaining insurers offered only the high-deductible plan portion of the MSA product.

Insurers reported three common strategies for bundling MSAs with qualified plans. Under one model, an insurance company undertakes all the functions associated with qualified plans and MSAs, including marketing and selling the products, providing claims processing and

plan management, and acting as the trustee for the custodial account. A second method involves partnering with a financial institution to act as trustee and contracting with an administrator for functions such as claims processing and adjudication. A third strategy is to outsource the administration and trustee responsibilities to another company, but provide the customer the opportunity to open an MSA at the same time and place as they purchase a qualified plan.

Some insurers that do not bundle the MSA and qualified plan have entered into marketing arrangements with trustees. These marketing arrangements are fairly minimal, for example providing MSA marketing materials at the point of sale. Other insurers do not provide any information on the MSA to potential customers. Consumers must contact the financial institution or other organization to open an MSA.

What are the costs and features of MSAs offered by insurers?

MSAs most commonly resemble passbook savings accounts. Based on a review of MSA product brochures obtained from insurers, fees and interest associated with MSAs are similar to passbook savings accounts. The minimum deposit to open an account ranged from $25 to $100. Custodial fees to open the account ranged from $12 to $50. Monthly administration fees were usually $2 to $5, though some administrators did not charge a periodic fee. Interest rates typically ranged from 3 percent to 4.5 percent, but will vary with market rate changes.

Some MSAs have a wider range of investment options. Some administrators or trustees give investors the option to transfer money from their savings account into a higher yielding investment vehicle such as money markets or mutual funds after the individual has reached a certain deposit level. Some investment options included money market accounts, mutual funds or even the choice of a generally higher yielding investment as an alternative to a savings account. These options often require minimum balances or waiting periods.

MSA offerors are also including other features that resemble options included on banking accounts. These features include checks, debit or ATM cards, telephone banking, PC banking, and automatic claim payment. Another, less common service given by some insurers is the opportunity to deduct claims automatically from the account holder's MSA.

Conclusions

Fifty-seven insurers and HMOs were offering MSA-qualified health plans as of the summer of 1997. Qualified plans were available in all states, with several plans available in most states. The early market for qualified plans has been stronger among self-employed individuals than among small groups, with as many as three-quarters of the plans sold in the individual market.

The demand for qualified plans and MSAs has been slower to develop than many in the industry anticipated. The relatively slow start in sales has been due in part to the complexity of the product combination for both agents and consumers, some financial disincentives for agents, and caution on the part of consumers and their financial advisors. Some evidence indicates that demand was increasing at the time of the survey.

Competitive market factors appear to be the most important considerations for insurers and HMOs in the decision to offer a qualified plan. Some aspects of the demonstration design have tended to discourage the development of new qualified health insurance products. Regulatory influences have had little effect on the decision to offer.

Qualified plans appear to be somewhat more generous in benefits than non-qualified high deductible plans from the same insurers. Insurers offering qualified plans have tended to use or adapt existing products and premium structures, and to sell these products in their established markets. Some insurers are acting as MSA trustees, others are partnering with financial institutions, and others are simply offering the high deductible plan and leaving the MSA up to the agent or consumer. Among those bundling qualified plans with MSAs, a minority are requiring that the two be purchased together. Features of the MSA accounts vary considerably; as the market matures, it seems likely that more (and more attractive) investment options will be available to MSA holders who allow their accounts to build up.

The survey reported on here will be repeated in the summer of 1998, to evaluate changes in the market as it develops. At that time, insurers' marketing efforts will have had more time to tale effect, and insurers will have a year's worth of claims experience on their early sales of qualified plans. Indications from the 1997 survey are that a few more insurers and HMOs will be offering qualified plans, and a few may have dropped this offering from their product lines.

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