



Highlights of [GAO-06-798](#), a report to the Ranking Minority Member, 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. Employers and plan enrollees may contribute to tax-advantaged HSAs, and enrollees can use the accounts to pay for health care expenses. Because HSAs and HSA-eligible plans are new, there is interest in the experiences of plan enrollees, as well as in comparing the plan features and enrollee characteristics with those of traditional plans, such as preferred provider organization (PPO) plans.

GAO reviewed (1) the financial features of HSA-eligible plans in comparison with those of traditional plans, (2) the characteristics of HSA-eligible plan enrollees in comparison with those of traditional plan enrollees, (3) HSA funding and use, and (4) enrollees' experiences with HSA-eligible plans. GAO analyzed data regarding HSA-eligible and traditional plans and enrollees from national employer health benefits surveys, three selected employers, and a national broker of health insurance. GAO compared Internal Revenue Service (IRS) data for tax filers reporting HSA contributions with corresponding data for all tax filers under 65 years old. GAO also conducted focus groups with employees of the three employers.

www.gao.gov/cgi-bin/getrpt?GAO-06-798.

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.

CONSUMER-DIRECTED HEALTH PLANS

Early Enrollee Experiences with Health Savings Accounts and Eligible Health Plans

What GAO Found

In 2005, HSA-eligible plans had different financial features than traditional plans—such as lower premiums and higher deductibles—but both plan types covered similar health care services, including preventive services, and used similar provider networks. 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 plan enrollees for extensive use of health care, but would incur lower annual costs than PPO plan 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 and a national broker of health insurance also reported that HSA-eligible plan enrollees had higher incomes than traditional plan enrollees in 2005. GAO's data sources did not conclusively indicate whether HSA-eligible plan enrollees were older or younger than individuals and enrollees in comparison groups.

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 current medical care and to accumulate savings. About 55 percent of HSA-eligible plan enrollees reported HSA contributions to IRS in 2004. Tax filers claimed an average deduction of about \$2,100 for their HSA contributions in 2004, and the average amount increased with income. About two-thirds of employers offering HSA-eligible plans contributed to their employees' HSAs, and the average employer HSA contribution was about \$1,064 in 2004. About 45 percent of tax filers reporting 2004 HSA contributions also reported that they withdrew funds in 2004, and 90 percent of these funds were withdrawn for qualified medical expenses. The other 55 percent of those reporting HSA contributions in 2004 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. Participants enrolled in the plans generally understood the key attributes of their plan. 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 plan and would recommend these plans 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.

GAO received technical comments from IRS and a national broker of health insurance and incorporated the comments as appropriate.