



Highlights of [GAO-06-514](#), a report to the Chairman, Committee on the Budget, House of Representatives

Why GAO Did This Study

Insurance carriers, employers, and individuals are showing increasing interest in consumer-directed health plans (CDHP). CDHPs typically combine a high-deductible health plan with a health reimbursement arrangement (HRA) or health savings account (HSA). HRAs and HSAs are tax-advantaged accounts used to pay enrollees' health care expenses, and unused balances may accrue for future use, potentially giving enrollees an incentive to purchase health care more prudently. The plans also provide decision-support tools to help enrollees become more actively involved in making health care purchasing decisions. Because CDHPs are relatively new, there is interest in the extent of enrollment and in other aspects of the plans.

GAO was asked to review the prevalence of CDHPs, how the associated accounts are funded and used, and the factors that may contribute to the growth or limit the appeal of these plans. GAO examined survey data on CDHP enrollment and interviewed or obtained data from employers, insurance carriers, individuals, financial institutions, and other CDHP experts.

www.gao.gov/cgi-bin/getrpt?GAO-06-514.

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

Small but Growing Enrollment Fueled by Rising Cost of Health Care Coverage

What GAO Found

Enrollment in CDHPs accounts for a small but growing share of the 177 million Americans with private health insurance coverage. From January 2005 to January 2006, the number of enrollees and dependents covered by a CDHP—either an HRA-based plan or an HSA-eligible plan—increased from about 3 million to between about 5 and 6 million. An increasing number of health insurance carriers and employers began offering CDHPs during 2005.

Most employers made a contribution to their employees' health accounts, and the share of account funds spent by enrollees varied. Employers commonly contributed to their employees' HRAs from \$500 to \$750 for individual coverage and \$1,500 to \$2,000 for family coverage in 2004. Most HRA-based plan enrollees spent some or all of these HRA funds in that year. For HSAs, industry representatives noted that not all HSA-eligible plan enrollees opened and contributed to an HSA, and survey data indicate that two-thirds of employers offering these plans contributed to their employees' HSAs. Industry representatives indicated that while most HSA account holders withdrew a portion of their account funds in 2005, some account holders used other, out-of-pocket funds, rather than their HSAs, to pay for medical care.

According to industry officials and experts, the primary factor responsible for the growth of CDHPs is the rising cost of health care coverage. Prompting the growth of enrollment among individuals is the desire to lower premiums and accumulate tax-advantaged savings, according to the officials. Experts noted that employers would be more likely to offer a CDHP if the plans demonstrate the ability to restrain rising costs, and employees would be more likely to enroll in a CDHP if employers offered more comprehensive CDHP benefits coupled with education about the plans.

Experts and industry officials cited several factors that may limit the appeal of CDHPs. Certain federal requirements for HSAs and HSA-eligible plans may preclude changes desired by some, such as higher annual contribution limits for HSAs. Certain state insurance requirements or income tax laws in eight states do not reflect federal statutory provisions for HSAs and HSA-eligible plans. Insurers are generally unable to determine the amount to be deducted from the patient's CDHP account at the time of service or offer decision-support tools that provide enrollees with sufficiently detailed data on the cost and quality of health care.

GAO received technical comments from organizations that provided data for this report, and incorporated the comments as appropriate.