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## January 2006 Census Shows 3.2 Million People Covered By HSA Plans

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### Enrollment in Health Savings Account (HSA) Plans Tripled in Ten Months

#### Summary

A periodic census by America's Health Insurance Plans (AHIP) of its member companies shows that the number of people covered by health savings accounts/high-deductible health plans (HSA/HDHPs) was almost 3.2 million in January 2006, more than triple the HSA/HDHP coverage of about one million reported by AHIP members in March 2005.

Other census findings included:

- HSA/HDHP coverage in the group market rose from 397,000 in March 2005 to 1.4 million in January 2006. Enrollment in the individual market rose from 556,000 in March 2005 to 855,000 in January 2006. (AHIP member companies reported coverage of an additional 878,000 people that could not be classified into either the group or individual market).
- In the individual market, 31 percent of new enrollees in HSA/HDHP plans were previously uninsured. In the small-group market, 33 percent of enrollment in HSA/HDHP plans was in small companies that previously did not offer coverage.
- Twenty-three (23) percent of new purchases of health insurance in the individual market were HSA/HDHP products. HSA/HDHP products accounted for 11 percent of new policies in the small-group market and 7 percent of new policies in the large-group market.
- Half (50 percent) of all people covered by HSA/HDHP plans in the individual market -- including dependents covered under family plans -- are aged 40 or older. In the small group market, 45 percent of people covered under HSA/HDHP plans in the small group market (including dependents) are 40 or older, and in the large group market 44 percent of enrollees are aged 40 or over.
- Over 90 percent of enrollees in HSA/HDHP plans were in PPO (preferred provider organization) products with both in-network and out-of-network coverage. HSA/HDHP enrollees generally have access to negotiated discount arrangements with health care providers through their PPO plans.

AHIP received participation from virtually all of its members in the HSA/HDHP market for this census. This census does not include coverage associated with health reimbursement arrangements (HRAs), which are most commonly offered in the large-group market.

## Introduction

Health savings accounts (HSAs) are designed to give consumers financial incentives to manage their own health expenses. An individual's HSA must be coupled with a high-deductible health plan (HDHP). These HDHPs generally cover preventive care services (e.g., exams, tests, immunizations, well-baby visits, etc.) before the deductible is met. HSA funds may be used to cover current and future health care costs.

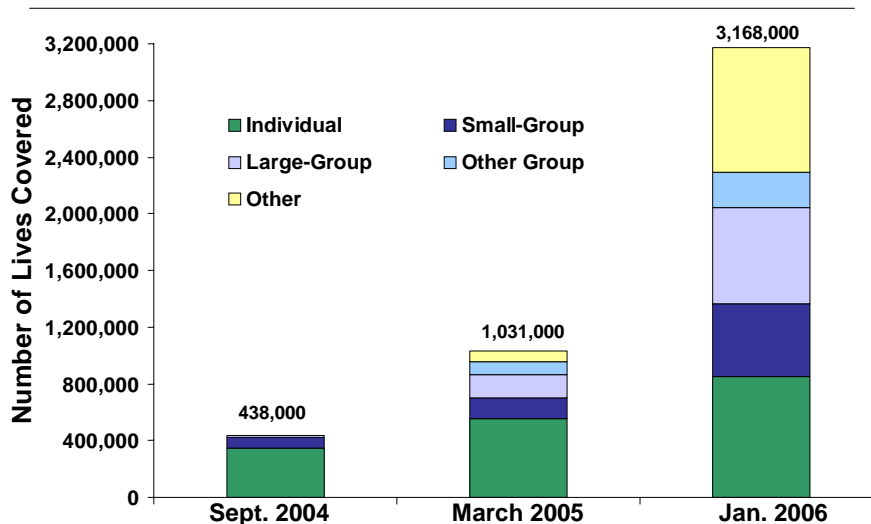
Health savings accounts (HSAs) were first authorized in late 2003, and regulatory guidance was released in mid-2004. Since then, AHIP has conducted a periodic census of its members to monitor and report on the HSA/HDHP health insurance market. For this census, AHIP received participation from virtually all of its members that sell HSA/HDHP products.

Importantly, the census does not track participation in health reimbursement arrangement (HRA) products, which have features similar to HSAs and are offered by many large employers.

## Market Overview

As of January 2006, almost 3.2 million people were covered by HSA/HDHP products. This is more than triple the HSA/HDHP enrollment of approximately one million that was reported by AHIP members in March 2005 (see Figure 1 below, and Table 1 on page 3).

**Figure 1. Growth of HSA/HDHP Enrollment from September 2004 to January 2006**



	September 2004	March 2005	January 2006
Individual Market	346,000	556,000	855,000
Small-Group Market	79,000	147,000	510,000
Large-Group Market	13,000	162,000	679,000
Other Group <sup>1</sup>		88,000	247,000
Other <sup>2</sup>		77,000	878,000
<b>Total</b>	<b>438,000</b>	<b>1,031,000</b>	<b>3,168,000</b>

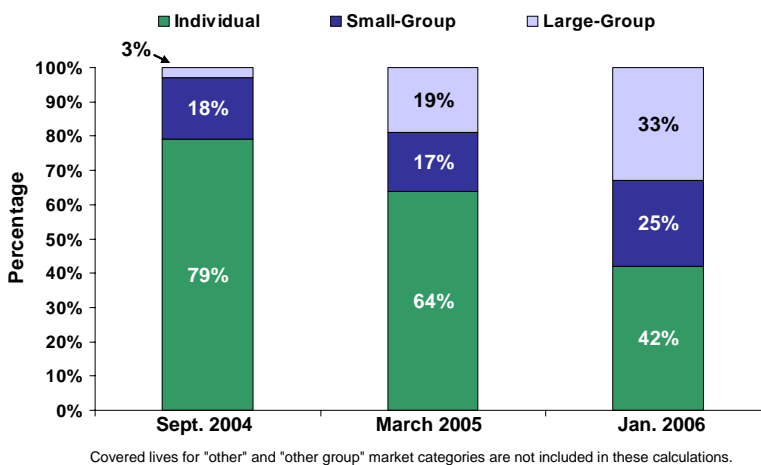
The January 2006 census included responses from 96 AHIP member companies. Fifty-three companies had enrollment in the individual market, and 87 companies had enrollment in the group market.

The fastest growing market for HSA/HDHP products is group coverage, which has grown from about 20 percent of the market in September 2004 to approximately 60 percent in January 2006.

In particular, the large-group market for HSA/HDHP plans has grown from a very small share of the market in AHIP's September 2004 survey to 33 percent in January 2006 (see Figure 2).

In all three market segments -- individual, small-group, and large-group -- over 90 percent of enrollees in HSA/HDHP plans were in PPO (preferred provider organization) products. PPO plans have in-network and out-of-network benefits, with lower co-payment or coinsurance requirements for in-network services. HSA/HDHP enrollees generally have access to negotiated discount arrangements with health care providers through their PPO plans.

**Figure 2. Percentage of Lives Covered by an HSA/HDHP, by Market Type**



<sup>1</sup> For this census, AHIP members reported their membership in large- and small-group markets according to their internal reporting standards. The "other group" category contains enrollment data for companies that could not break down their group membership into large- and small-group categories within the deadline for reporting.

<sup>2</sup> The "other" category was necessary to accommodate companies that were able to provide information on the number of people covered by HSA/HDHP policies, but were not able to provide a breakdown by market category within the deadline for reporting.

## Individual Market

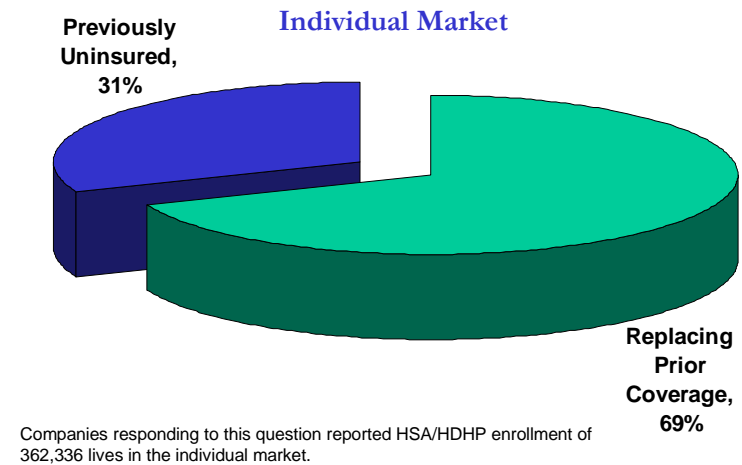
AHIP's member companies reported a total of 855,000 people covered by individually purchased HSA/HDHPs in January 2006. However, this tally for individual coverage almost certainly understates the total, because 878,000 covered lives were not categorized by responding companies into either the group or individual market. According to the census, 23 percent of new policies sold in the individual market were HSA/HDHP plans.

Data from a subgroup<sup>3</sup> of companies that were able to report on the prior insurance status of their new enrollees in individual HSA/HDHP plans indicate that 31 percent of new policies were purchased by individuals who previously did not have health insurance (see Figure 3).

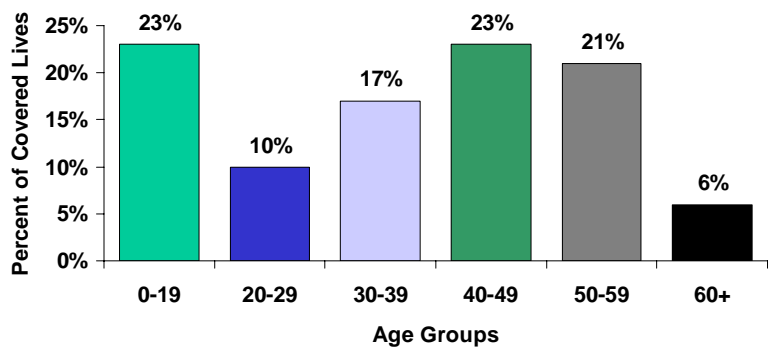
Half (50 percent) of HSA/HDHP enrollees in the individual market (including dependents covered under family plans) were aged 40 or over; 50 percent were under age 40. Specifically, 23 percent of covered people were younger than 20 years of age; 27 percent were between the ages of 20 and 39; 23 percent were between the ages of 40 and 49; and 27 percent were 50 years of age or older (see Figure 4).

Table 2 (on page 5) provides information on the average deductible, out-of-pocket limit, and maximum lifetime benefit for the best-selling HSA/HDHP plans sold by companies in the individual market. Table 3 (on page 5) provides the average premium for the best-selling policies in the individual market, by age group.

**Figure 3. Percentage of HSA/HDHP Policies Purchased by Previously Uninsured**



**Figure 4. Age Distribution of People Covered by HSA/HDHPs, Individual Market**



Data as of January 2006

<sup>3</sup> Companies responding to this question reported HSA/HDHP enrollment of 362,336 lives in the individual market.

<b>Table 2. Description of HSA/HDHP Policies Individual Market – Best-Selling Product</b>		
	<b>Single</b>	<b>Family</b>
Average Annual Deductible*	\$2,378	\$4,760
Average Annual Out-of-Pocket Limit	\$3,371	\$6,837
Average Lifetime Maximum Benefit**	\$3.8 Million	\$4.1 Million
* Policies generally cover preventive care services before the deductible is reached.		
** One company reported an unlimited lifetime maximum benefit, and is not included in this calculation.		

<b>Table 3. Individual Premiums by Age – Best-Selling Product</b>			
	<b>Age 20-29</b>	<b>Age 30-54</b>	<b>Age 55-64</b>
Average Annual Premium, Single Policy	\$1,121	\$1,914	\$3,157
Average Annual Premium, Family Policy	\$2,507	\$3,951	\$5,690

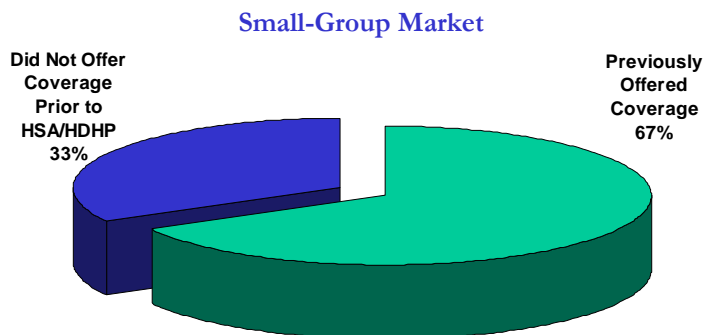
## Group Market

Approximately 1.4 million people were covered in the group market under HSA/HDHP plans as of January 2006. This includes 510,000 in the small-group market, and 679,000 in the large-group market. AHIP member companies reported covering an additional 247,000 people in the group market in January 2006 but did not report the breakdown between the small- and large-group markets. These responses were placed into a category called “other group.” Finally, these totals for group coverage are understated because 878,000 covered lives in HSA/HDHP plans were not categorized by group or individual market (but were included in the overall totals).

## Small-Group Market

AHIP members offering HSA/HDHP products in the small-group market reported enrollment of 510,000 people as of January 2006. In general, small-group coverage was defined as coverage through employers with 50 or fewer employees, although a handful of respondents to the census used a slightly different definition. Among those companies that could provide information, 33 percent of small-group policies were purchased by employers that previously offered

**Figure 5. Percentage of HSA/HDHP Policies Purchased by Companies That Previously Did Not Offer Coverage**



Companies responding to this question reported HSA/HDHP enrollment of 209,000 lives in the small-group market.

no health care coverage to their workforce (see Figure 5). These policies covered 69,000 employees and dependents.<sup>4</sup>

Average deductibles for the best-selling HSA/HDHPs in the small-group market were lower than those in the individual market, averaging \$2,143 for single coverage and \$4,311 for family coverage. The average annual out-of-pocket limits for the best-selling HSA/HDHP plans in this market were \$3,381 for single coverage and \$6,575 for family policies. The average lifetime maximum benefit for small-group policies was roughly \$3.5 million (see Table 4).

<b>Table 4. Description of HSA/HDHP Policies Small-Group Market – Best-Selling Product</b>		
	<b>Single</b>	<b>Family</b>
Average Annual Deductible*	\$2,143	\$4,311
Average Annual Out-of-Pocket Limit	\$3,381	\$6,575
Average Lifetime Maximum Benefit**	\$3.3 Million	\$3.8 Million
Average Annual Premium	\$2,772	\$6,955
*Policies generally cover preventive care services before the deductible is reached.		
**Seven companies reported an unlimited lifetime maximum benefit, and are not included in this calculation		

Premiums averaged \$2,772 for single coverage and \$6,955 for family coverage. These premiums are considerably lower than premiums reported from surveys of all employer-based coverage. For example, the average premium was \$10,880 in 2005 for employer-sponsored family policies.<sup>5</sup>

Finally, HSA/HDHP plans accounted for approximately 11 percent of new health insurance policies purchased in the small-group market.

## Large-Group Policies

As of January 2006, large-group coverage had increased to at least 679,000 lives, up from 162,000 in March 2005. As noted previously, the January 2006 figure is understated by the fact that some responding AHIP member companies did not distinguish among the individual, small-group, and large-group markets (representing 878,000 covered lives), and others did not distinguish between large and small firms within the group market (247,000 covered lives). Seven percent of all new health insurance purchased in the large-group market was attributed to HSA/HDHP plans.

<sup>4</sup> Companies responding to this question reported HSA/HDHP enrollment of 209,000 lives in the small-group market.

<sup>5</sup> Kaiser Family Foundation Employer Health Benefits 2005 Annual Survey.  
<http://www.kff.org/insurance/chem091405nr.cfm>

Table 5 provides the average annual deductible, out-of-pocket limit, and lifetime maximum benefit for the best-selling single and family HSA/HDHP policies in the large-group market.

<b>Table 5. Description of HSA/HDHP Policies Large-Group Market – Best-Selling Product</b>		
	<b>Single</b>	<b>Family</b>
Average Annual Deductible*	\$1,754	\$3,494
Average Annual Out-of-Pocket Limit	\$3,330	\$6,385
Average Lifetime Maximum Benefit**	\$2.9 Million	\$3.5 Million
Average Annual Premium		
	\$2,745	\$6,715
*Policies generally cover preventive care services before the deductible is reached.		
**Six companies reported an unlimited lifetime maximum benefit, and are not included in this calculation.		

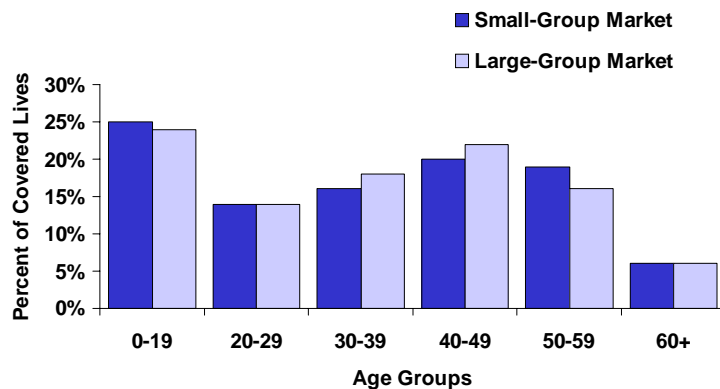
In the large group market, 44 percent of enrollees in HSA/HDHP plans (including dependents) were aged 40 or over. The age distribution of covered lives in HSA/HDHP plans is very similar in the large- and small-group markets (see Figure 6).

### Acknowledgements

This census and report were compiled and written by Hannah Yoo and Teresa Chovan.

For further information, please contact Jeff Lemieux, Senior Vice President at AHIP’s Center for Policy and Research at 202.778.3200 or visit [www.ahipresearch.org](http://www.ahipresearch.org).

**Figure 6. Age Distribution of People Covered by an HSA/HDHPs, Employer Markets**



Data as of January 2006



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America’s Health Insurance Plans  
601 Pennsylvania Ave., NW  
Suite 500  
Washington, DC 20004

202.778.3200  
[www.ahipResearch.org](http://www.ahipResearch.org)  
[Research@ahip.org](mailto:Research@ahip.org)