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HSAs can benefit the Chronically Ill

By Victoria Bunce

Most people are relatively healthy thanks in part to modern medicine. However, some 90 million people have what is considered a chronic illness. Among the most common chronic illnesses are cancer, diabetes and heart disease.

Employers and individuals are increasingly looking to consumer-driven health plans (CDHPs), which often include a Health Savings Account (HSA), to help rein in expenditures. But questions have arisen about how such plans affect those with chronic illnesses. Because HSAs provide patients greater control over their health care decisions and empower consumers to be better-informed patients, the chronically ill may find HSAs a valuable new option which could transform chronic care.

According to the U.S. National Center for Health Statistics, a chronic illness is one that lasts three months or more. Fortunately, many chronic illnesses are not life threatening and are manageable with medical treatment. Indeed, most patients with chronic illnesses live long and productive lives.

However, some chronic illnesses are monetarily as well as physically draining. Some patients may need constant monitoring. And some chronic illnesses require medical equipment that may not be covered by a health plan, and therefore the patient has to pay for that equipment out-of-pocket. For this reason an HSA can be quite attractive.

The insurance policy deductibles are higher than typical policies. For 2006, the deductible can be no less than \$1,050 for an individual, or \$2,100 for a family. However, many individuals find that higher deductibles will reduce their policy premiums by 30 to 40 percent, often more than offsetting the increase in the deductible.

In addition, HSAs provide true catastrophic protection. For 2006, HSA insurance policies must limit total annual out-of-pocket expenses to no more than \$5,250 for an individual, or \$10,500 for a family.

Annual contributions to the account are permitted up to 100 percent of the policy deductible, up to \$2,700 for an individual, and \$5,450 for a family. Individuals aged 55 and over are permitted to "catch-up," or increase, their contributions by an additional \$700.

More importantly, consumer-driven health plans and HSAs have created a new set of incentives that encourage better-informed patients.

Although HSAs usually reduce health care costs, they are not just about saving money. HSAs empower consumers to become better-informed patients and take more responsibility for their care. Consumers are responding positively to this opportunity. Since January 2004, the number of people enrolled in HSA plans has increased to about 3 million, according to a survey by America's Health Insurance Plans.

Some chronically ill people may find that an HSA provides them with more flexibility for choosing their health care providers, medications and medical equipment. According to John Goodman of The National Center for Policy Analysis most HSA plans are an improvement over traditional insurance, because they "allow patients to manage health care dollars for expenses over which they can exercise discretion and where it is appropriate for them to exercise discretion."

Once they have become empowered consumers in the health care marketplace, the chronically ill may discover that they are better patients - which can only improve their outcomes and quality of life.

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