

Understanding Consumer Preferences Related to High Deductible Health Plans

Overview of Research and Methods

Over approximately six months, Commonwealth spoke to approximately thirty-six consumers and surveyed an additional thirty-nine consumers about their experiences and preferences related to high deductible health plans (HDHPs). Consumers had in common that they were all screened for income (all made less than \$59,999 annually) and they all were subscribers to HDHPs. The following insights are aggregated from the results of that research.

Benefits and Disadvantages to a HDHP and HSA

In this section are insights on the perceived benefits and disadvantages of having a HDHP and a HSA gleaned from the focus group and interview data.

Benefits to a HDHP

Respondents saw receiving incentive reimbursements, lower premiums, and greater coverage as benefits to having a HDHP. HDHPs are also nice if the consumer does not have a lot of health needs.

Disadvantages to a HDHP

The disadvantages to having a HDHP include the high deductible, the feeling of being forced to save (as the deductions decrease salary), and the restrictions on what the money can be used for. Another major disadvantage of HDHPs (mentioned throughout the focus groups and interviews) are their lack of transparency. Respondents cited confusion on whether the balance rolls over or not, what is and is not covered, and not knowing how a particular service will affect the plan. Other disadvantages are the limited access once the deductible is exceeded the need to prioritize whether to see a doctor or not.

Benefits to a HSA

The benefits to having a HSA are the ability to use the funds for prescriptions, the lower cost compared to a HMO, and the ability to pay medical expenses faster. Having a designated HSA is also perceived as comforting since the funds are dedicated to meeting healthcare expenses coupled with the financial benefit of being a tax-advantaged account.

Employer Contributions

In this section are insights from the focus groups, interviews, and survey regarding how consumers would feel about their HSA if their employer were to contribute.

When asked of their interest in maintaining a HSA on their own, those without a HSA who had said they were uninterested in having one indicated that having one would be worth it if it were going to be used (e.g. they were less healthy) or if their employer contributed.

Whether or not an employer contributes to an employee's HSA may also have an impact on the employee's utilization of their health insurance and sick days. Survey data showed that 45 percent of respondents whose employers do not contribute to their account would access healthcare more regularly

if their employers did contribute. Of those who do not receive HSA or FSA contributions from their employers, 45 percent said they were unhappy with their HDHP and 36 percent were happy. Of respondents that receive HSA or FSA contributions from their employers, 48 percent are happy with their HDHP and 26 percent are unhappy with their HDHP.

When asked if they would feel differently about their HSA if their employer contributed, most respondents said yes. Those who answered no cited distrust of their employer.

Employee Contributions

In this section are insights regarding how consumers feel about contributing to their HSA themselves and incentives that would encourage them to contribute (if they do not already) or contribute more (if they do).

Focus groups respondents stated that although they contribute, having an HSA is for healthy individuals. Respondents who consider themselves healthy stated that they do not contribute as much. Circumstances that would make them contribute more are if a need was anticipated (e.g. if getting sick and knows they will incur cost) and high emergency room copays.

Among interview respondents who contribute to their HSA, most said that they contribute because their employer is contributing some portion. Some did so to cover expenses not covered by their insurance plan (e.g. vision and dental) and based the amount they contribute on what is needed to reach the deductible, the perceived need based on health, or to max out the HSA. Other reasons for contributing include the high deductible and the enrollment period. For those who do not contribute, they either perceive themselves as healthy or the employer contribution is sufficient for needs.

Interview respondents were also asked for their thoughts on incentives that would encourage contribution to their HSA. Of the 17 respondents interviewed, most approved of an employer match, an entry into a raffle with a monetary prize, and an entry into raffle with a work-related prize, (e.g., 1/2 vacation day; discount to pharmacy). However, the entry into a raffle with a work-related prize option was not nearly as popular as the other two incentives. Respondents rated their preference for each incentive on a scale from one to five, with five being the most useful.

- Employer match
 - Six respondents selected five, ten selected four, one selected three, and none selected two or one
- Entry into a raffle with a monetary prize
 - One respondent selected five, seven selected four, five selected three, none selected two, and four selected one
- Entry into a raffle with a work-related prize
 - Two respondents selected five, six selected four, three selected three, two selected two, and five selected one

The best channels to receive these incentives were the healthcare provider, employer, and insurance. Most respondents would be willing to share account-level data to access incentives and provide a link to a confirmation of deposit of the incentive. Information that respondents would never be willing to provide, regardless of incentive, were health/medical information, account numbers, and social security numbers.

When asked if knowing that their colleagues contribute to their HSA would encourage them to do so, most respondents would not feel encouraged to. Those that did would be motivated to seek information on what they “might be missing out on.”

Approximately 48 percent of survey respondents used their general or emergency savings to pay for their medical expense, but if they had known in advance, 67 percent would have preferred to pay with money they had saved specifically for healthcare.

Saving for healthcare and other expenses

In this section are insights from the interviews and survey on how and why consumers save for healthcare and other expenses.

Interview respondents were asked if they set aside money for healthcare related expenses. While a few said they did not have any money set aside for these specific expenses, the rest of respondents did, but the extent to which the money was dedicated to this purpose was varied. There was a relatively even mix between those savings being in an HSA, some other place, or in a general saving account that might be used for a variety of purposes. For those who indicated not saving, their reasons were their age (too young and healthy to bother), wanting to know the specific prices of services/procedures at different facilities in order to save, and having a limited income. To pay for healthcare, respondents either pay right away or wait until multiple bills/pay in lumps. For some, the decision is based on the amount (e.g., small amount on debit vs. larger on credit card) others say they budget and use HSA.

Respondents were also asked if they have money set aside for other expenses that they might not expect (e.g. major car repair) and their reasons for saving for certain expenses and not others. The large majority of respondents indicated having savings for general purposes in typical savings accounts, but very few differentiated for specific types of expenses. A few respondents indicated not having money set aside for other expenses. Regarding their reasons for saving for certain expenses and not others, in many cases, respondents to this question indicated that savings are general, so they are not earmarked for specific things. Others indicated saving for regular, predictable things, like car tires. Still others indicated that the way they prioritize savings is by likelihood of need and immediacy. For example, retirement is seen as a guaranteed expense (ideally) vs. healthcare, which is uncertain and grouped in with a range of expenses that might occur.

When asked about how decisions to budget or set aside money for personal healthcare expenses, respondents provided a wide variety of responses. Several save a set amount monthly, some reference previous spending, and some have no budget and just contribute to general savings. Others assume they'll hit the deductible and save for that; and some save for specific known expenses (e.g., braces) while others assume there is a low likelihood of the need to save.

Interview respondents also provided a wide variety of responses when asked to give other examples of types decisions they make regarding healthcare spending or saving. Respondents stated the type of provider (doctor's office vs urgent care), choice of specialist, and the conveniency of the expense as decision factors. Other factors that were mentioned as related to whether or not to pay a bill were credit card or cash-back incentives and the timing of the bill payment.

Survey respondents were also asked of their medical needs and priorities. Of those surveyed, 76 percent budget for their annual office visit, 65 percent budget for prescriptions, 58 percent budget for future sickness, and 44 percent do not budget for healthcare. When faced with an unexpected large medical expense, 60 percent used a credit card and if they had known in advance, approximately 30 percent would have still chosen to use a credit card. Regarding budgeting for healthcare expenses, 60 percent would

need to know average-out-of-pocket expenses, 51 percent would need a better understanding of what expenses they or their family will incur, and 30 percent wouldn't create a budget because they feel that health expenses are unpredictable. Of those that have an HSA or FSA, 59 percent budgeted for health expenses in the coming year and 41 percent didn't. Of those that don't have an HSA or FSA, 38 percent budgeted for health expenses in the coming year and 63 percent didn't.

Why consumers choose HDHPs

In this brief section are insights from the focus groups and interviews on why consumers choose HDHPs.

The reasons for choosing a HDHP ranged from it being the only option available from an employer to it being the cheapest option compared to other plans. Other reasons for choosing a HDHP were the wide network of doctors and specialists in the plan and the perception that other plans did not have much to offer.

Unanticipated expenses

In this section are insights regarding how consumers would deal with unanticipated healthcare expenses.

Most focus group respondents shared that they would seek care at the time it was needed and deal with the bill later. Others noted that if they were to delay, the decision would be based on how bad the health need was and the time of year. For those who have delayed care, the reasons for doing so included waiting for money to be put in their HSA and that the treatment needed was a non emergency (contact lenses/glasses, lab work, mammograms, dental work).

Among those interviewed, when asked how they would make decisions on addressing healthcare concerns where there might be a cost involved, responses varied. For some, cost was not a factor. For others, they "would have to be dying." Many shared that they try to resolve health issues on their own with over the counter medications or by contacting the nurse line. Furthermore, most respondents indicated that if they have an urgent need, they would seek care immediately. The factors impacting waiting include severity of the symptoms, cost, previous experience dealing with the issue, work schedule, and the convenience of seeing someone.

In order to seek care sooner costs would need to be lower (deductible, copay), the respondent would need to know if the issue were a real emergency, and know if the location where they would need to get care was convenient.

Healthcare advice and costs in the workplace

In this section are insights from the survey and interviews into how consumers feel about giving and receiving healthcare advice from colleagues and telling their employer about financial problems meeting healthcare costs.

Responses from the survey indicate that there is general discomfort with receiving advice on how to use healthcare benefits from colleagues. Similarly, there is discomfort with giving colleagues information about one's own experience with using and paying for healthcare. Most respondents are not comfortable with sharing health/ medical information with employers; 41 percent are somewhat comfortable with sharing if they were struggling to pay bills and 45 percent somewhat uncomfortable.

In order to seek out help from others (HSA admins, coworkers, friends), employees are motivated if they receive an incentive (got paid), if the money saved already was not enough, if they were given constructive

feedback, or if they received an unexpected bill. If they were looking for data about healthcare spending and saving, respondents stated that they would turn to Google and their insurance provider/HC exchange. In an effort to try and understand how they might use friends' advice, employees were asked about the type of information they'd go to a friend for regarding healthcare expenses; responses suggested that they do not seek out this type of information, but rather more general idea about, e.g., budgeting.

Those interviewed are motivated to conduct more research about how to spend more effectively for healthcare by paying bills, costs, and life events (if a family member experiences difficulty paying) m incentive-matching, higher bill than expected.

Among those who were interviewed, respondent indicated that challenges faced in saving for healthcare expenses include debt competing with savings, unexpected bills, rent and other regular outlays, the timing of an expense, and having to make trade offs with other expenses that are more desirable (e.g. vacation). Not meeting deductible is an issue for 60 percent.

Auto enrollment into savings accounts

In this section are insights from interviews on feelings about being automatically enrolled into a retirement savings vehicle (e.g. 401k).

The overwhelming majority of interview respondents have a 401K and like the idea of auto-enrollment. Only a couple had reservations as they wanted to be completely in control of their finances. Some like the idea assuming transparent information and a couple like the idea of it being completely taken care of without them having to do much.

Respondents showed more hesitation towards being auto-enrolled into a HSA. Among those who were interested, some didn't trust themselves and some saw it as a no-brainer with employer contribution. For those who were uncertain, they were concerned with how much of their pay would be taken away and felt they needed more information. Finally, those who were against the idea said they were uncomfortable with auto and preferred opt-in; several cited not liking the restrictions on savings.

Health Calculator Tools

In this section are insights on feelings regarding using a health calculator tool to research the cost of a medical procedure.

Respondents were given the opportunity to scroll through <http://www.comparemaine.org/> and provide their thoughts. Most respondents said that they would use the tool when they would need to see a doctor, need to compare costs, and if just looking for service. Most also thought the data would help them make healthcare spending and savings decisions as it would make them revisit their policy, compare costs and quality, contact their doctor and do more research.

Respondents were also asked what healthcare decisions they thought they needed to be making as soon as possible (saving, knowing about HDHPs) and the type of information that would help make those decisions. Decisions that needed to be made as soon as possible were saving, better personal health habits (preventative care, working out, etc), and uncertainty about plan provisions. Upfront costs, transparency, and accessible information would all make these decisions easier.