

Download This Paper (Delivery.cfm/SSRN_ID2296157_code386280.pdf?abstractid=2296157&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID2296157_code386280.pdf?abstractid=2296157&mirid=1&type=2)

★ Add Paper to My Library

Share:

Health Care Spending after Adopting a Full-Replacement, High-Deductible Health Plan With a Health Savings Account: A Five-Year Study

EBRI Issue Brief, Number 388 (July 2013)

16 Pages
Posted: 20 Jul 2013

Paul Fronstin (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=255140)
Employee Benefit Research Institute (EBRI)

M. Christopher Roebuck (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=1871513)
RxEconomics LLC

Date Written: July 2013

Abstract

This paper reports experience over five years from a single large employer in the Midwestern United States that adopted a high-deductible health plan with a health savings account (HSA) for all employees. This study represents one of the longest observation periods reported with a full-replacement consumer-directed health plan (CDHP), and it is one of the few studies with a matched control group.

In the first year of the HSA, the employer's aggregate health care spending was reduced by \$527 per person.

Results show that spending was reduced significantly in the inaugural year of the HSA plan in medical, pharmacy, and total-claims categories. Further, the magnitude of the cost savings was greatest in this first year but the cost savings continued over the succeeding three years albeit at a slower pace.

The introduction of the full-replacement HSA plan reduced total spending by 25 percent in the first year. Each category of health spending experienced statistically significant reductions in the first year of the HSA plan with the exception of spending on inpatient hospital stays. Spending on laboratory services and prescription drugs had the largest statistically significant declines (36 percent and 32 percent, respectively).

When examining the spending components separately, only pharmacy and laboratory spending were statistically significantly lower throughout the entire four years after the HSA plan was adopted.

Reductions in pharmacy spending were large and mostly sustained over the four years after the HSA was adopted. In the first year of the HSA, pharmacy-spending reductions were 40-47 percent for individuals in all but the highest quintile of spending.

When spending by pre-HSA quintile was examined, the largest spending effects in the first year of the HSA were seen in the third and fourth quintiles. The highest pre-HSA quintile group experienced spending reductions in the first year of the HSA that were not sustained. The second HSA-plan year showed total spending was reduced only in the second and fourth quintiles. By the fourth year, the HSA plan reduced pharmacy spending in the fourth quintile; only the third quintile continued to have reduced spending as compared with the year before the HSA plan was adopted.

This study adds to the consumer-directed-health-plan literature by reporting changes in spending during the four years after an HSA plan was adopted and showing that, in one employer, spending reductions eroded over time and that reductions varied by pre-replacement levels of health spending. The data suggest that the highest users were least affected and that moderate users were most vulnerable. The data did not allow for distinguishing discretionary from necessary services utilization. This is essential for understanding the value of account-based, high-deductible plans.

Keywords: Account-based health plans, Consumer-driven health plans (CDHPs), Employment-based benefits, Health care costs, Health care utilization, Health insurance coverage, Health savings accounts (HSAs), High-deductible health plans (HDHPs), Hospital costs, Prescription drug costs

JEL Classification: D12, I1, I11, J3, J32

[Suggested Citation](#) >

[Show Contact Information](#) >

Download This Paper (Delivery.cfm/SSRN_ID2296157_code386280.pdf?abstractid=2296157&mirid=1)

Open PDF in Browser (Delivery.cfm/SSRN_ID2296157_code386280.pdf?abstractid=2296157&mirid=1&type=2)

[Policy \(https://www.elsevier.com/legal/cookiepolicy\)](https://www.elsevier.com/legal/cookiepolicy)

[Cookie Settings](#)

[Accept all cookies](#)

1. M K Bundorf
Consumer-Directed Health Plans: Do They Deliver?
Research Synthesis Report No , volume 24 Posted: 2012-10
2. M B Buntin , A M Haviland , R Mcdevitt , N Sood
Healthcare Spending and Preventive Care in HighDeductible and Consumer-Directed Health Plans
American Journal of Managed Care , volume 17 , issue 3 , p. 222 - 252 Posted: 2011-03
3. M E Charlson , P Pompei , K L Ales , C R Mackenzie
A New Method of Classifying Prognostic Comorbidity in Longitudinal Studies: Development and Validation
Journal of Chronic Disease , volume 40 , issue 5 , p. 373 - 83 Posted: 1987
Crossref ([https://doi.org/10.1016/0021-9681\(87\)90171-8](https://doi.org/10.1016/0021-9681(87)90171-8))
4. G Claxton , J Gabel , B Dijulio , J Pickreign , H Whitmore , B Finder , P Jacobs , S Hawkins
Health Benefits In 2007: Premium Increases Fall To An Eight-Year Low, While Offer Rates And Enrollment Remain Stable
Health Affairs , volume 26 , issue 5 , p. 1407 - 1423 Posted: 2007-10
Crossref (<https://doi.org/10.1377/hlthaff.26.5.1407>)

Load more

0 Citations

Fetch Citations



Do you have a job opening that you would like to promote on SSRN?

Place Job Opening (<https://www.ssrn.com/index.cfm/en/Announcements-Jobs/>)

Paper statistics

DOWNLOADS	160
ABSTRACT VIEWS	1,311
RANK	351,847

28 References

PlumX Metrics



(https://plu.mx/ssrn/a/?ssrn_id=2296157)
Related eJournals

Health Care Delivery & Financing eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=1500087)

Follow



Employee Benefits, Compensation & Pension Law eJournal (https://papers.ssrn.com/sol3/JELJOUR_Results.cfm?form_name=journalBrowse&journal_id=237587)

Follow



View more >

Recommended Papers

Much Ado About Two: Reconsidering Retransformation and the Two-Part Model in Health Economics (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=226638&rec=1&srcabs=2296157&pos=1)

By John Mullahy (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=61249)


Provide, Provide: the Economics of Aging (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=119948&rec=1&srcabs=2296157&pos=2)

By Victor R. Fuchs (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=93849)


Health Care for the Elderly: How Much? Who Will Pay for it? (https://papers.ssrn.com/sol3/papers.cfm?abstract_id=137510&rec=1&srcabs=2296157&pos=3)

By Victor R. Fuchs (https://papers.ssrn.com/sol3/cf_dev/AbsByAuth.cfm?per_id=93849)

[View more >](#)

[Feedback](#) 

[Submit a Paper >](https://hq.ssrn.com/submission.cfm) (<https://hq.ssrn.com/submission.cfm>)

[SSRN Quick Links](#) 

[SSRN Rankings](#) 

[About SSRN](#) 

 (<https://www.facebook.com/SSRNcommunity/>)

 ([https://www.linkedin.com/company/493409?](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A0)

[trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A0](https://www.linkedin.com/company/493409?trk=tyah&trkInfo=clickedVertical%3Acompany%2CentityType%3AentityHistoryName%2CclickedEntityId%3Acompany_493409%2Cidx%3A0)

 (<https://twitter.com/SSRN>)

[\(http://www.elsevier.com/\)](http://www.elsevier.com/)

[Copyright \(https://www.ssrn.com/index.cfm/en/dmca-notice-policy/\)](https://www.ssrn.com/index.cfm/en/dmca-notice-policy/)

[Terms and Conditions \(https://www.ssrn.com/index.cfm/en/terms-of-use/\)](https://www.ssrn.com/index.cfm/en/terms-of-use/)

[Privacy Policy \(https://www.elsevier.com/legal/privacy-policy\)](https://www.elsevier.com/legal/privacy-policy)

All content on this site: Copyright © 2023 Elsevier Inc., its licensors, and contributors. All rights are reserved, including those for text and data mining, AI training, and similar technologies. For all open access content, the Creative Commons licensing terms apply.

We use cookies to help provide and enhance our service and tailor content.

To learn more, visit [Cookie Settings](#).



[\(http://www.relx.com/\)](http://www.relx.com/)

<https://papers.ssrn.com/sol3/updateInformationLog.cfm?process=true>