



Changes in Health Care Financing & Organization (HCFO)

# findings brief

## Families with Chronic Conditions in High-Deductible Health Plans Facing Substantial Financial Burden

### key findings

- Almost half of the families with chronic conditions in high-deductible health plans reported health care related financial burdens, compared with 21 percent of families in traditional health plans.
- Almost twice as many lower-income families in high-deductible health plans spend more than 3 percent of their annual income on health care expenses than lower-income families in traditional health plans.

### Overview

In recent years, families in the United States have shared in the increasing health care costs through higher health insurance premiums, deductibles, and copayments. This increasing financial burden on families is most acute among low-income families and those with chronic health conditions.

In a HCFO-funded study, Alison Galbraith, M.D., of Harvard Medical School and the Harvard Pilgrim Health Care Institute, and colleagues analyzed the financial impact of high-deductible health plans on families with chronic health conditions<sup>1</sup>. High-deductible health plans—or consumer-directed health plans—are characterized by annual deductibles of at least \$1,000 to \$2,000 for individuals and families, respectively, and lower overall health care premiums. Some—but not all—high-deductible health plans include health savings accounts or health reimbursement programs.

High-deductible plans have grown in popularity in the last two years. Though these plans are often an attractive option to employers because their overall premiums are lower than traditional health plans, research suggests that the financial burden of high-deductible plans is greater for families, especially those with chronic conditions who make up half of enrollees<sup>2</sup>.

“While high-deductible health plans may be a more affordable coverage option for some people, we wanted to examine health care cost-related financial burden for families with chronic conditions, where out-of-pocket expenses across multiple family members may be substantial in high-deductible health plans, particularly when a family member has a chronic condition and increased health care needs,” says Galbraith.



Robert Wood Johnson Foundation

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## Methods

The research team analyzed survey data and health plan claims data that compared families with chronic conditions in high-deductible plans with those in traditional plans. All families in the study population were enrollees of Harvard Pilgrim Health Care, had at least one child age 18 or younger, and were continuously insured for the previous 12 months in Massachusetts. The research team contacted eligible families, as determined by Harvard Pilgrim Health Care claims data, by phone or mail to complete the survey.

Chronic conditions were defined in the survey as conditions that lasted or were expected to last a year or longer, limited an individual's activity, and required ongoing care, such as diabetes, high-cholesterol, or asthma. The research team identified chronic conditions for children using the Children with Special Health Care Needs Screener.

Other information obtained through survey questions included options for health plan enrollment and the presence of a designated account to pay for health care expenses (i.e. health savings account). The research team collected information about survey participants from Harvard Pilgrim claims data, including whether a family's plan was obtained through an association (independent broker or trade organization), and total out-of-pocket expenditures.

The research team examined two primary outcome measures. The first measure was a report of financial burden related to health care spending. Financial burden was defined as difficulty paying individual or family medical bills, participating in payment plans with a doctor's office or hospital, and difficulty paying other necessary bills (e.g., rent, groceries) because of medical bills. The second measure was spending more than 3 percent of income out-of-pocket for health care. Out-of-pocket health care costs included copayments, deductibles, and coinsurance payments.

## Results

The survey received 820 responses. Of those, the research team excluded 46 percent for not meeting basic inclusion criteria. Ultimately, the researchers analyzed data from 494 families; 151 in high-deductible health plans and 345 in traditional plans.

The researchers found that the 151 families enrolled in high-deductible health plans were more likely to have been enrolled through an association and have no alternative option for health plan enrollment. Of those 151 families, the annual deductible ranged from \$1,000 to \$6,000. The majority of the families surveyed had annual deductibles between \$2,000 and \$4,000, and 14 percent had the option of a health savings account.

Overall, more than twice as many families in high-deductible health plans reported financial burdens than families in traditional plans (48 percent compared with 21 percent), and families in high-deductible health plans paid double the out-of-pocket expenses of families in traditional plans. These results were consistent across all socioeconomic groups.

Regardless of health-plan type, low-income families—defined as families with an annual income of less than 400 percent of the federal poverty level—and those with no choice of health plan were significantly more likely to report health care related financial burdens than the general study population. Families with an account for health care expenses were less likely to experience health care related financial burden.

Among low-income families, those in high-deductible health plans were more likely to have out-of-pocket health care expenses greater than 3 percent of total annual income, when compared with low-income families in traditional health plans.

Regardless of health-plan type, low-income families with a non-college educated parent and those who obtained their health insurance coverage through an association were more likely to spend more than 3 percent of total annual income on out-of-

pocket health care expenses than the general study population.

## Limitations

The researchers acknowledge that there is potential for selection bias because health plan enrollment is not random. Therefore, any relationships between high-deductible plan enrollment and financial burden should be seen as associations rather than causal relationships. The analyses were unable to estimate potential financial burden the same families would have experienced in a traditional health plan. Results from this study are strictly from enrollees in employer-sponsored health plans, and therefore may not be generalizable to families outside of this insurance market.

## Policy Discussion

Financial burden associated with health care costs is a concern for policymakers. Health care related financial burden is not only associated with health issues, it can also be linked to bankruptcy, delinquency in payment of other bills, and other economic consequences.

Health care reforms in Massachusetts included an individual mandate requiring health insurance coverage, a requirement that employers offer coverage, small-group insurance market policies, and a prohibition on preexisting condition exclusions. Under the Affordable Care Act (ACA), many of these same policies will be in effect nationally in 2014. Therefore, findings of this study may foreshadow potential future financial burdens on families in high-deductible health plans.

High-deductible health plans may become a more attractive option as the ACA is implemented. Payers will be looking for the lowest-cost options to cover the large population of those currently uninsured. Policymakers will need to consider the structure of high-deductible health plans and the potential for unintended financial consequences.

Additionally, with new policies in place regarding preexisting conditions, many previously uninsured individuals with chronic conditions will become eligible for coverage.

That population could face significant financial burdens and high out-of-pocket costs in a high-deductible health plan. Policymakers will need to consider how best to protect this already vulnerable population from unnecessary financial stress. Moreover, to the extent that financial burden is leading individuals to forego needed care, health outcomes could be adversely affected.

The ACA takes some steps to protect against health care related financial burden, including cost-sharing subsidies and income-based limits on annual out-of-pocket costs. However, in this study population, only one family of the 496 surveyed spent beyond the proposed out-of-pocket limit for lower-income families, yet almost half reported experiencing financial burden. Accordingly, it is not clear whether the ACA's protective measures will be sufficient for the average family in the United States.

“As health reform efforts progress, high-deductible health plans are likely to be

used by employers and health insurance exchanges to offer coverage with lower premiums, but many families with chronic conditions in these plans may remain effectively underinsured. Reducing out-of-pocket costs for families with chronic conditions will be an important challenge for policymakers. Strategies such as cost-sharing subsidies and out-of-pocket limits may be helpful, along with better tools to help enrollees identify lower-cost alternatives, and avoid costly lower-priority services,” says Galbraith.

### Conclusion

High-deductible health plans can be very attractive because they provide families the insurance coverage they need and employers the low premiums they desire. However, many families in these plans suffer adverse financial and health consequences. As 2014 draws closer, it will be important for policymakers to balance cost containment and high quality care against families' financial burdens.

### For More Information

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### Endnotes

- 1 For additional details on the analysis and complete findings see Galbraith, A. et al. “Nearly Half of Families in High-Deductible Health Plans Whose Members Have Chronic Conditions Face Substantial Financial Burden,” *Health Affairs*, Vol. 30, No. 2, February 2011, pp.322-331.
- 2 Fronstin P. and S.R. Collins. *Findings from the 2007 EBRI/Commonwealth Fund Consumerism in Health Survey*. Employee Benefit Research Institute and Commonwealth Fund, March 2008. Also see <http://www.commonwealthfund.org/Content/Publications/Issue-Briefs/2008/Mar/Findings-From-the-2007-EBRI-Commonwealth-Fund-Consumerism-in-Health-Survey.aspx>