

High-Deductible Health Plans Do Not Work

High healthcare costs are a top-of-mind concern for a majority of American consumers. According to a nationally representative Consumer Reports survey released in January 2017, more than half (55%) of Americans are either only slightly or not at all confident that they will have access to affordable health insurance in the coming year.ⁱ High-deductible health plans (HDHPs) require consumers to pay the first dollars of their care, doubling-down on their fears that affordable healthcare is out of reach.

High-deductible health plans are promoted as a tool to contain healthcare costs. Yet, HDHPs as a solution ignores the fact that consumers have little control over their healthcare spending. Further, HDHPs fail to address marketplace failures as they do not motivate providers to lower their prices or practice medicine more efficiently.

In many proposals, HDHPs are combined with the promise of tax savings through Health Savings Accounts (HSAs). However, most consumers will get little to no benefit from these tax exemptions, which disproportionately benefit the affluent. Instead, they will find themselves underinsured for costly healthcare, and incentivized to avoid care altogether regardless of value.

There are many documented failings of HDHPs, including:

HDHPs fail to adequately cover most consumers.

- HDHPs are regressive because they are a one-size-fits-all policy that simply doesn't work for families who are not affluent.
- Survey data find that 23% of insured, non-elderly adults have such high out-of-pocket costs or deductibles relative to their incomes that it effectively renders them underinsured.ⁱⁱ
- Fifty-one percent of underinsured adults reported problems with medical bills or medical debt and 44% reported not getting needed care because of the cost.ⁱⁱⁱ
- Of surveyed adults paying off medical bills, half of underinsured adults and 41 percent of privately insured adults with high deductibles had \$4,000 or more in medical debt.^{iv}

HDHPs fail to motivate consumers to make better choices or to reduce costs, as promised.

- A survey of relatively high-income Americans whose employer switched them from comprehensive coverage to a HDHP led to a 10% decrease in the use of preventive services and a 18% reduction in physician visits, with the most reductions occurring in the sickest quartile of patients.^v These consumers elected to reduced their consumption of healthcare across the board, including care that had the potential to avoid future costs and to improve consumers' health.
- Studies find little evidence that consumers engage in more price shopping when faced with higher cost-sharing, such as in the form of an HDHP.^{vi}

- Participants in high-deductible plans use less of both low- and high-value services.^{vii}
- Consumers also use fewer free preventive services under HDHPs, suggesting that they do not understand the details of the plans.^{viii}

A fully market-based approach is inappropriate when it comes to consumers' health and does not follow the evidence on successful innovations.

- Even if consumers did become savvy shoppers, healthcare is not “shoppable” like other consumer goods--consumers control less than 7% of total healthcare spending.^{ix} The other 93% is spending directed by providers.
- Better approaches to focus on reducing provider waste and inflated prices include:
 - Creating high value provider networks based on cost and quality;
 - Paying providers in new ways that reward value over volume; and
 - Using reference pricing and other techniques to address outlier prices.
- Some states, such as California,^x and large employers are exploring alternative benefit designs that better meet consumer’s needs while addressing the need to contain costs, such as:
 - Replacing coinsurance with copay designs;
 - Making the deductible *not* apply to most outpatient services, thus limiting the impact of deductibles to costlier and less frequent inpatient services; and
 - Standardizing benefit design across products so consumers can compare them more easily.
- At a time when subsidies and government funding for health programs are on the chopping block, a tax exemption like HSAs is a regressive policy that would come at the expense of resources that are better used elsewhere.

Consumers Union is the policy and advocacy arm of Consumer Reports. Consumer Reports is the world's largest independent product-testing organization. Founded in 1936, Consumer Reports has over 8 million subscribers to its magazine, website, and other publications. Its advocacy division, Consumers Union, works for health reform, food and product safety, financial reform, and other consumer issues in Washington, D.C., the states, and in the marketplace.

ⁱ Consumers Union, *At Start of New Administration, Consumer Reports Finds 66% of Americans Don't Trust the Government to Protect Their Interests*, January 19, 2017.

ⁱⁱ The Commonwealth Fund, *The Problem of Underinsurance and How Rising Deductibles Will Make it Worse*, May 2015.

ⁱⁱⁱ *Id.*

^{iv} *Id.*

^v National Bureau of Economic Research, *What Does a Deductible Do? The Impact of Cost-Sharing on Health Care Prices, Quantities, and Spending Dynamics*, October 2015.

^{vi} RAND, *Price Shopping in Consumer Directed Health Plans*, March 2013.

^{vii} *Id.*

^{viii} *Id.* Also: Health Affairs, *In Consumer-Directed Health Plans, A Majority of Patients Were Unaware of Free or Low-Cost Preventive Care*, December 2012.

^{ix} Health Care Cost Institute, *Spending on Shoppable Services in Health Care*, March 2016.

^x Health Affairs, *Making Marketplaces Work: California's Ingredients for Success*, October 2016.