

## HSAs: An Underutilized Healthcare Savings Vehicle

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This research explored the differences between consumers who utilize Health Savings Accounts (HSAs) in conjunction with High Deductible Health Insurance Plans (HDHPs) and those who do not. HDHPs offer consumers health insurance for a monthly premium that is considerably lower than traditional plans. In exchange for the lower premium, the consumer is responsible for all medical expenditures up to a set deductible amount, which is higher than traditional health insurance plans. Accordingly, plan participants' out of pocket liabilities are roughly twice that of more traditional plans (Trude, 2003).

Despite the risk management and tax benefits of pairing HDHPs and HSAs, many consumers forego the use of a HSA. As an initial step toward developing an understanding of why HDHP consumers might make this choice, this research investigated the characteristics of HDHP consumers who did, and consumers who did not, pair HDHPs and HSAs. Additionally, the structure of the HDHP was included in the model to estimate whether plan characteristics were correlated with the likelihood of HSA utilization. Data from the 2007 National Health Interview Survey were used. From the 1,739 respondents who indicated HDHP coverage, a weighted descriptive table was created to identify differences in consumers with HDHPs who make use of a HSA and those who did not. A preliminary logistic regression model estimated the probability of HSA utilization.

Given the high cost of individual health insurance policies, HDHPs are common due to their relatively low annual premiums (Davis, Doty, & Ho, 2005). However, the savings from lower premiums relative to non-HDHPs can easily be lost when consumers pay the higher deductible (Remler & Glied, 2006). Yet the results of this study indicate that approximately 90% of consumers who purchased HDHPs on their own, and not through an employer, failed to efficiently save for the associated deductible by utilizing a HSA. Consumer educators should reach out to this population to make them better aware of the tax and risk management benefits of a dual-pronged HDHP/HSA health insurance strategy.

The study also highlighted the underutilization of HSAs by consumers with lower educational attainment levels. To increase HSA utilization it is important that these relatively complex health care tools be presented at a level appropriate to the educational attainment of the audience (Schreiner, et al., 2001). Finally, approximately 75% of all HDHP participants in this study passed by significant tax and risk management benefits by failing to utilize HSAs. This finding underscores the need for consumer educators to develop educational strategies to better communicate the importance of the joint HDHP/HSA strategy among all HDHP participants

### References

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