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BUILDING AN ELECTRONIC
**Medical Banking
Community**

**Health Savings Accounts:
Proving to be an important part of the solution**

Todd Berkley

VP, Market Solutions

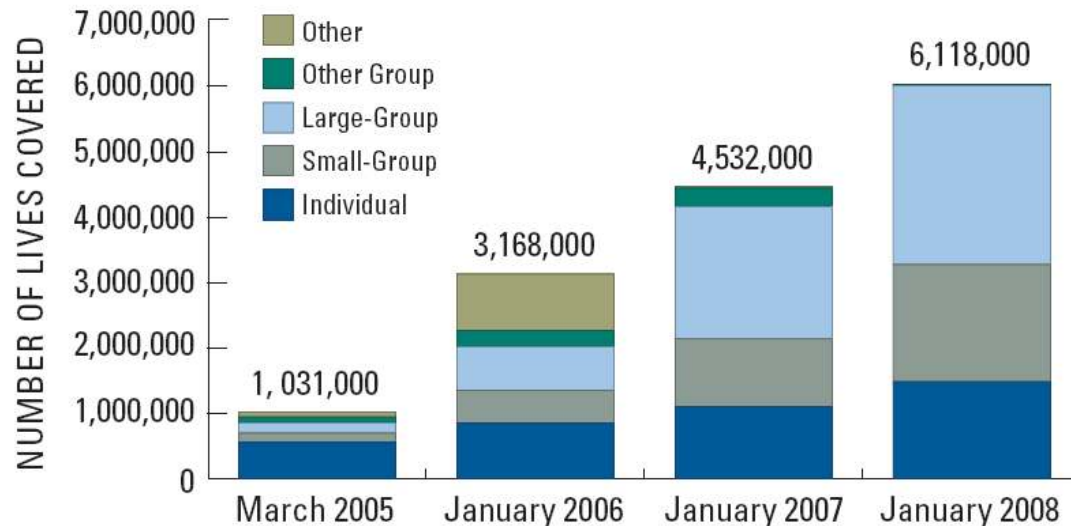
OptumHealth Financial

HSA's are the fastest growing health or finance product

❖ Millions can now afford insurance

- ❑ 27% of HSA members in employer-based plans were previously uninsured according to AHIP 2007 HSA Census
- ❑ 40% of individual HSA buyers in 2007 were previously uninsured* per Golden Rule Insurance
- ❑ Nearly 2.5 million previously uninsured people are now covered in HSA plans as of Jan. 2008, using those percentages

Growth of HSA/HDHP Enrollment from March 2005 to January 2008



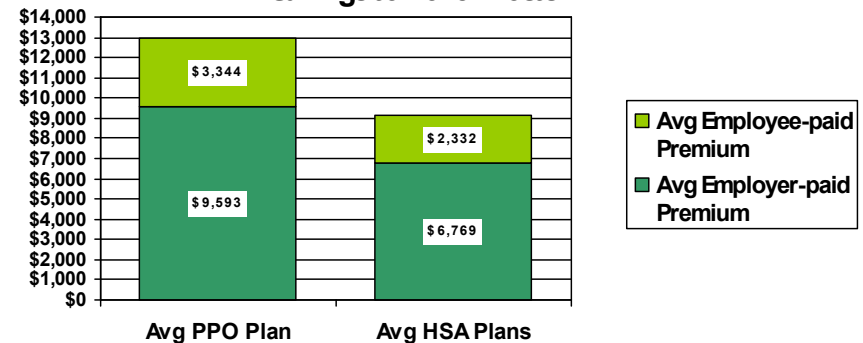
Source: 2008 AHIP HSA/HDHP Census

*Source: United Healthcare and OptumHealth Bank study on HSA Account Holder Population

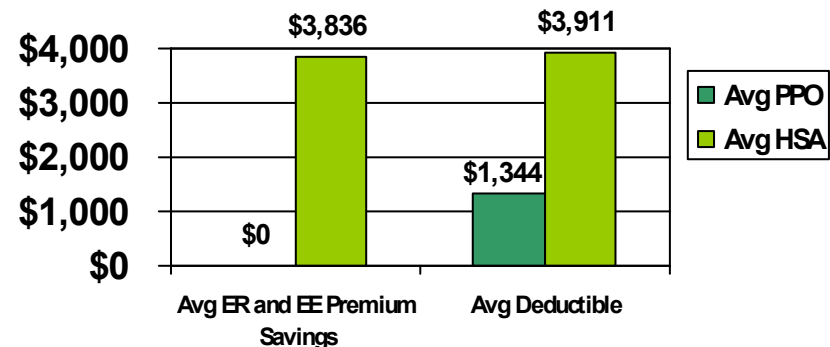
HSA's lower premiums; savings can fund account

- ❖ What happens to the healthcare plan when employees move to HSAs?
 - ❑ 100% chance – Kaiser says premium goes down an average of \$3836
 - ❑ Likely chance – more out of pocket costs, but enough savings to cover most of deductible
 - ❑ Likely chance – premiums will rise slower next year
 - ❑ 100% chance that HSA plan will limit total out of pocket cost; average max out of pocket is \$6280

HSA's Reduce Premiums Dramatically and Allow for Savings to Cover Costs



Premiums Savings Cover Nearly all of HSA Deductible



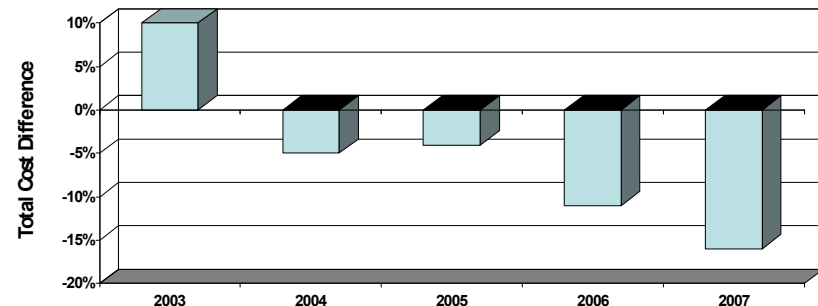
Source: Kaiser Family Foundation Employer Health Benefits 2008 annual survey

Consumer-Directed Health (CDH) plans create engaged consumers, reduce cost increases

UnitedHealthcare 2008 Study*:

- ❖ Total medical and pharmacy costs were 7% - 9% lower for CDH vs. PPO
 - ❑ Pharmacy cost down 18% -23%
 - ❑ Medical cost down 4% - 8%
- ❖ Employers cost savings are driven by changes in utilization, not cost-shifting to members.
 - ❑ Approximately 82% -87% of savings were a result of utilization decreases
- ❖ CDH consumers changed behavior to reduce excess cost, but continue to seek needed care (see chart)
- ❖ Results were adjusted for the fact that members in CDH were slightly healthier than in PPOs (12%-20%).

UHC Study: CDH Total Billed Charges vs. PPO



Behavior changes for CDH versus PPO from UHC

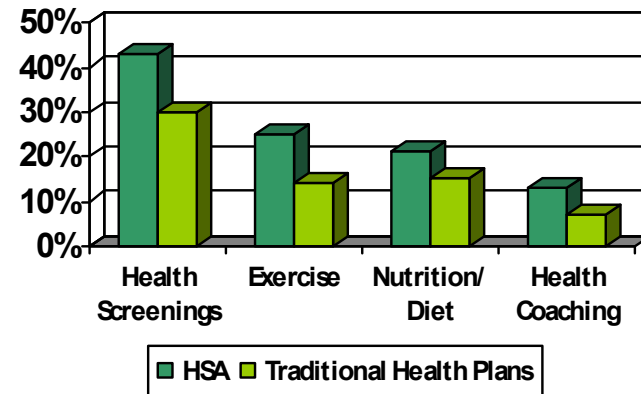
- ❖ Hospital admissions were similar in 2006, but 20% lower for CDH in 2007
- ❖ Levels of prescription drug use were essentially the same, but costs in CDH plan were significantly lower (use of Generics)
- ❖ Radiology (e.g. mammogram, x-ray) were similar across plans, but lab services were consistently higher in CDH population
- ❖ Chronically ill participants had 7%-8% lower costs, but similar patterns of utilization of prescriptions, radiology, hospitalization vs. PPO
- ❖ Preventive care utilization was fundamentally equivalent across the plans.

*2008 UHC 5 year study of 266,000 CDH (HRA) members versus 147,000 PPO members. Includes 108,000 CDH and 69,000 PPO members with chronic conditions.

HSA's are the most effective vehicle to promote prevention

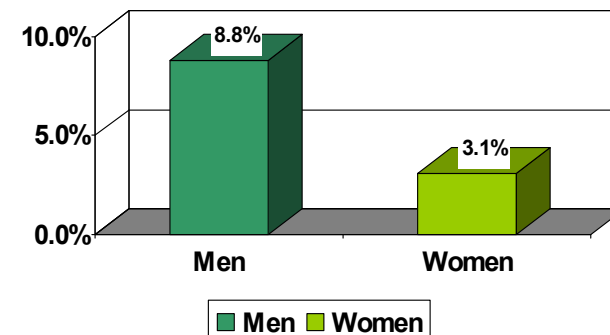
- ❖ Over 90% of large group plans offer preventive care under the deductible free of charge (AHIP 2007 HSA study)
- ❖ Healthy Indiana “Power Accounts” are card-based accounts (not technically HSA’s) that allow Medicaid recipients to use the first \$1,100 they spend in the program in an account, but roll over what is not spent if they complete age and sex specific preventive care
 - ❑ Take up was so great that Indiana had to suspend marketing and triple enrollment staff

Higher Use of Free Preventive Care in HSAs



Source: Blue Cross and Blue Shield Association: 2008 Consumer Driven Health Plans Member Experience Survey

Men are especially likely to increase use of preventive care in CDHPs



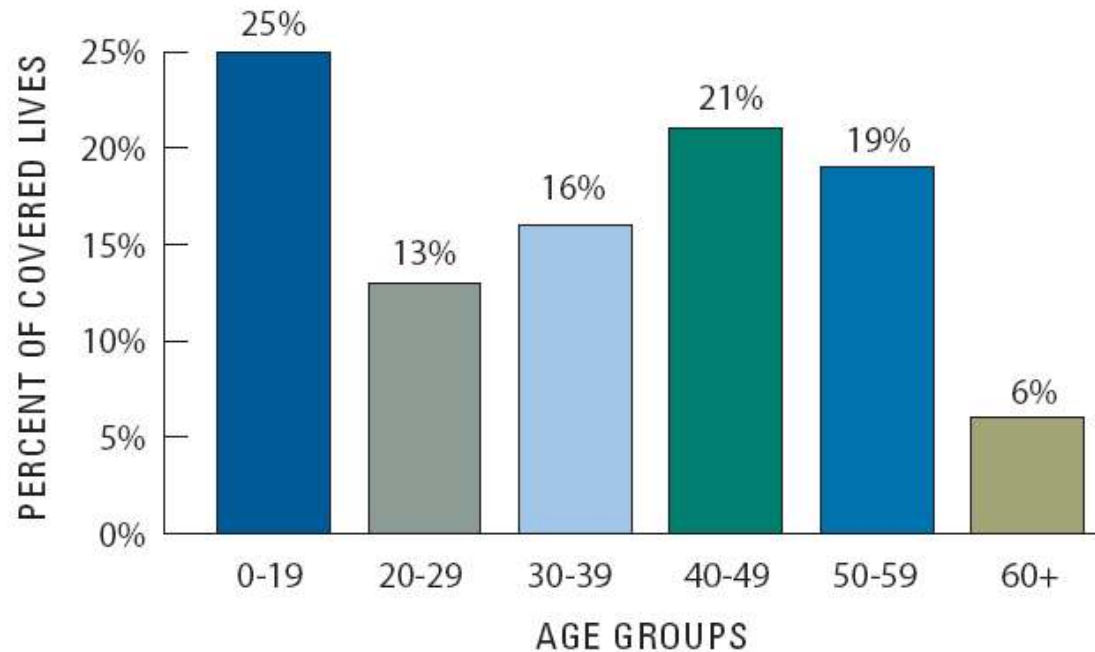
Source: WellPoint, Inc.: Study of Consumer Directed health Plans (CDHPs)

HSAs primarily serve families, not just young and healthy

Broad demographic across age spectrum for HSAs

- Children make up largest group at 25% of population, followed by older adult segments
- UnitedHealthcare 2008 study* shows CDH members only slightly more healthy (12%-20%) than PPO members

Age Distribution of People Covered by HSA/HDHPs, Individual Market



Note: Most enrollees in the 0-19 age group were dependents covered under family plans.
Source: 2008 AHIP HSA/HDHP Census

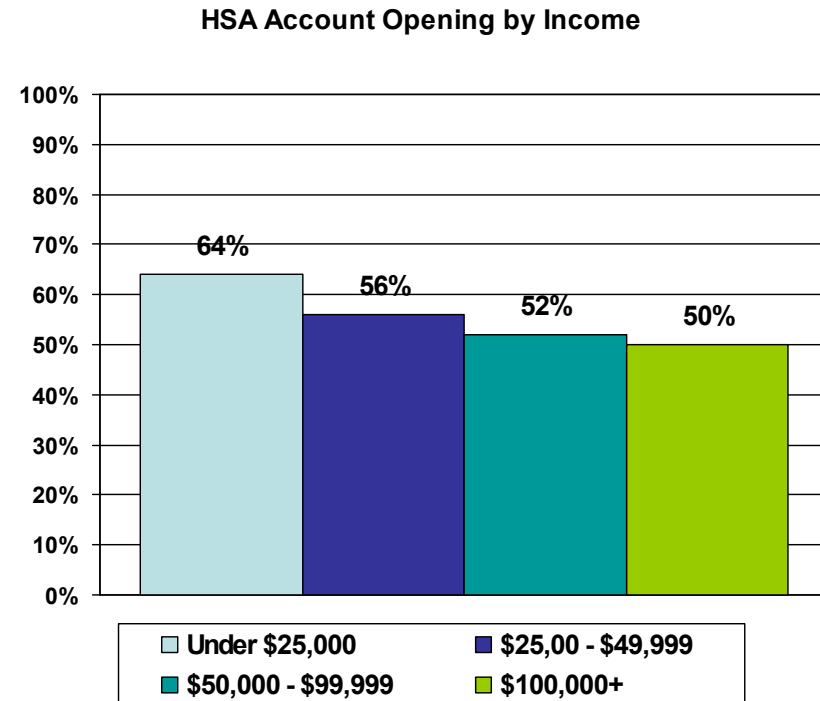
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Lower income HSA accountholders lead adoption

HSA accountholders reflect America

- ❖ A GAO Study in April reported that HSA accountholders average \$139,000, vs. \$57,000 for all other tax filers – based on a selective sample of 2005 data
- ❖ OptumHealth Bank* matched over 300,000 HSA accountholders by zip to US Census tract data showing average household median income of \$69,242.
 - ❑ 75% of households have income less than \$83,535.
 - ❑ 25% of household have income less than \$48,781.

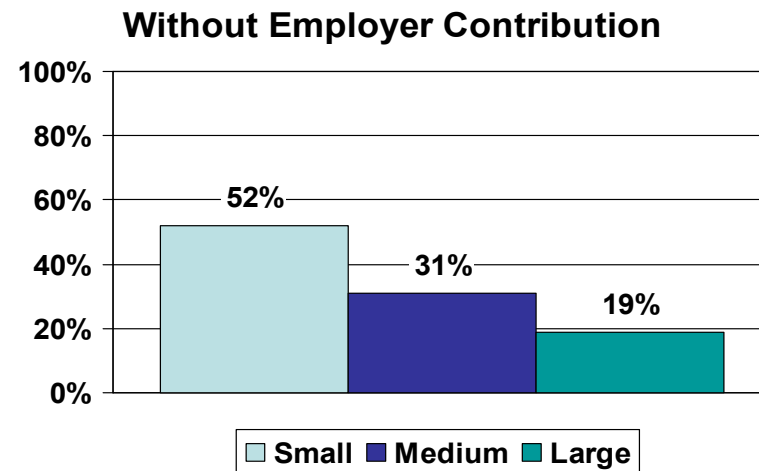
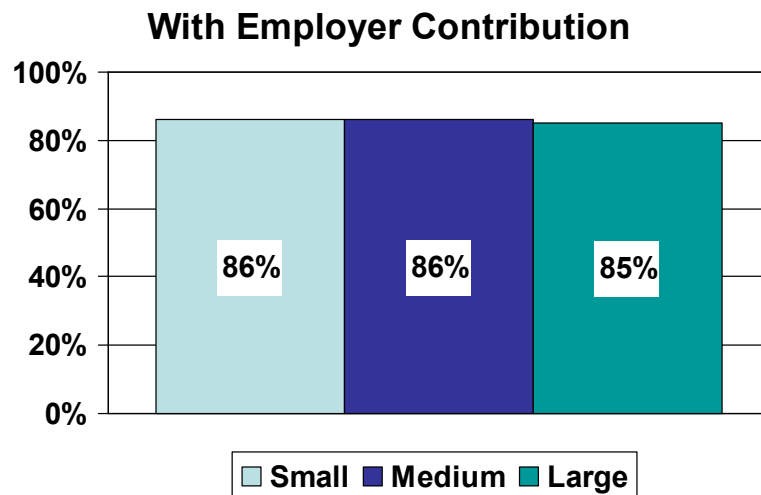
Lower income members actually adopt HSA accounts at a stronger pace than higher income groups**



*Member FDIC The latest census tract data is for the year 2000. These figures are adjusted to 2008 by increasing the 2000-2008 income of each census tract by 24.68%, per the Census Bureau. **Source: United Healthcare and OptumHealth Bank study on HSA Account Holder Population.

Employer Contributions are paramount

- ❖ According to the 2008 Kaiser Study, 72% of employers contribute to HSA accounts, contributing an average of \$2067 for family plans.
 - ❑ Employers also contribute 74% of the average family HSA medical premium
- ❖ The presence of an employer contribution impacts how many with eligible HSA insurance will open an account
 - ❑ When the employer contributes: 86%*
 - ❑ Without an employer contribution: 27%



*Source: United Healthcare and OptumHealth Bank study on HSA Account Holder Population

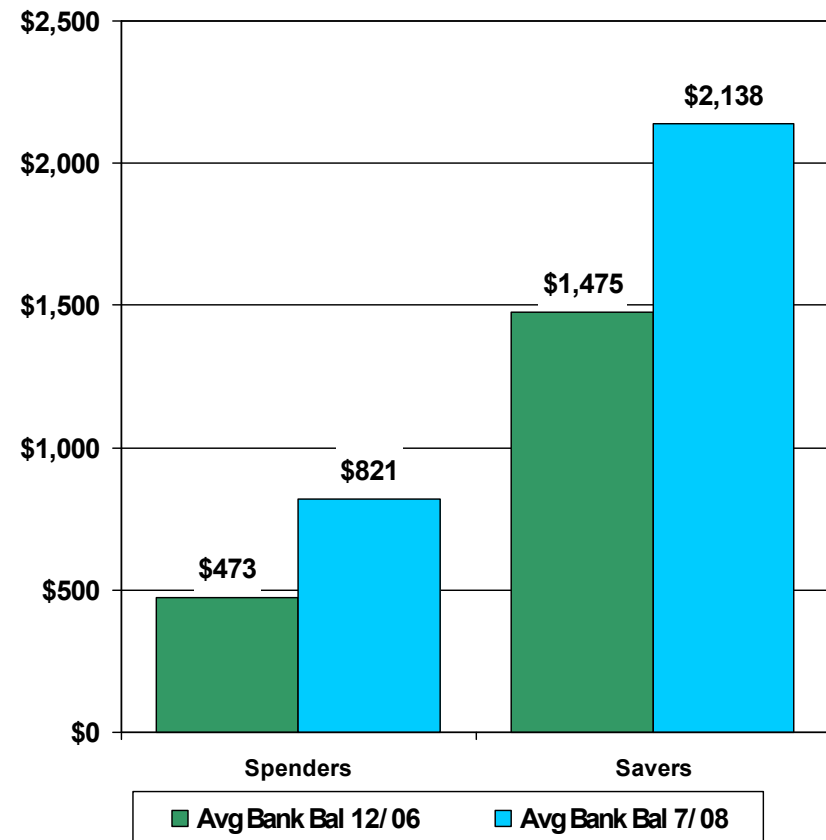
HSA are being used to save for future health expenses

- ❖ The early hypothesis: HSA holders will be 80% spenders (spending the majority of funds each year) and 20% savers.
- ❖ It is actually 50/50

	Percent of HSA's in 12/07	Percent of HSA's in 7/08
Spenders	50%	49%
Savers	49%	49%
Investors	1%	2%

- ❖ We have seen significant balance growth across the board in the past 18 months
- ❖ Even Spenders have grown by nearly 75% from \$473 to \$821

OptumHealth Bank HSA Total Balances by Usage Type



*Source: OptumHealth Bank internal account life-to-date statistics as of 12/2007 and 7/2008

Low income people are the most engaged in the HSA

- ❖ According to the 2008 Kaiser Study, 72% of employers contribute to HSA accounts, contributing an average of \$2067 for family plans.
 - ❑ Employers also contribute 74% of the average family HSA medical premium

Account Activity by Income Range:

Income Range	Avg Contribution	Average Spent	Average Balance
Under \$25,000	\$1,166	\$775	\$597
\$25,000-\$49,999	\$1,411	\$862	\$757
\$50,000-\$99,999	\$1,823	\$1,034	\$1,063
\$100,000+	\$2,290	\$1,199	\$1,463
100+ group has >4x income than lowest	But only 2x Contribution	And only 1.5x Spending	And only 2.5x Balance

**Source: 2008 Definity study of 212,000 individuals enrolled in employer-based Health Savings Account plans for the full year of 2006*

HSA Substantiation would restrict choice, add cost

Evidence indicates that the vast majority of HSA funds are being used for medical purposes

- ❑ In 2007, 94%* of OptumHealth Bank HSA card transactions were performed at medical providers, or retailers who sell prescriptions or over-the-counter drugs
- ❑ The IRS reports that 8%** of HSA returns self-report non-medical use of HSA and pay appropriate taxes and penalties

Adding substantiation would apply bureaucracy and cost to an electronic solution

- ❑ Substantiation would drive manual, slow paper processes into the HSA experience
 - HSA trans are currently over 90% electronic vs. roughly 10% electronic for FSA and HRA*
- ❑ The burden will decrease users' adoption of the HSA
 - Substantiation would roughly double the fees per account, based on our FSA experience
 - New delays and hassles of submitting receipts to access their own money would result
- ❑ Substantiation would reduce competition in the marketplace
 - Community Banks and other small players do not have a substantiation capability; most will need to exit this market

**Source: Internal OptumHealth Bank merchant card data from March 2008; **Tom Reeder, US Dept of Treasury testimony to HSA Substantiation hearing April 2008.*

Health Savings Accounts are a critical part of “the solution”

- ❖ Making low cost insurance widely available
- ❖ Widely used by families and individuals across the demographic spectrum, including many previously uninsured
- ❖ Reducing cost trends in future years
- ❖ Empowering low income consumers with money of their own
- ❖ Engaging consumers across the spectrum who are increasingly demanding transparency of cost and quality
- ❖ Using proven bank technologies to reduce cost and improve convenience of health care
- ❖ Allowing accountholder to choose FDIC insured bank deposits or potential for better long-term growth in mutual funds