

Savings plans could bring lower costs for employers

By Eve Mitchell, BUSINESS WRITER

Health Savings Accounts are being touted as a way to help businesses control health care costs at a time when premiums are soaring.

Nationwide, insurance premiums increased an average of 13.9 percent in 2003, the third consecutive year of double-digit increases, according to a survey by the Kaiser Family Foundation and Health Research & Educational Trust.

The survey also found that although employers are interested in offering high-deductible plans, only 9 percent of employees nationwide work for firms that offer them. To qualify for HSAs, such plans must have at least a \$1,000 deductible for individual coverage. The survey found that another 11 percent of employees will be working for firms in 2004 that will likely be offering a high-deductible plan.

As a general rule, plans with high deductibles can lead to lower premiums for both employers and employees alike, industry experts say.

HSAs will provide employers with a new tool for providing health care as opposed to having to pass on higher premium costs to workers or reducing benefits, said Bill Lavis, a partner with Oakland-based Sitzmann, Morris & Lavis, an independent insurance advisory firm.

"Prior to HSAs, you could raise the co-pay or add a hospital co-pay or raise the cost of the (employee) contribution or look at changing vendors," he said. "I think in the next one to three years, HSAs are going to be an integral and permanent part of the employee benefits menu."

In California, insurers Aetna and Fortis Health have already begin offering Health Savings Accounts. Other insurers are expected to follow suit in the coming months. (Larger companies, which last year already locked in their 2004 health plans, will not be able to offer HSAs as an option until the season for changing health care plans rolls around.)

In the first few days of their availability in California, Fortis Health, which specializes in providing health insurance for small and mediums firms and the self-employed, had received more than 1,000 inquiries about HSAs, according to Fortis spokeswoman Megan Hindham.

"You take the cost savings (from the lower premium) and put it into the HSA," said Hindham, adding that under traditional plans some people "every time they get a hang nail or cough (they) go to the doctor. These are your dollars. People really need to think about their health care spending."

Fortis Health could not provide a specific example for premium savings in California, but indicated that in general HSA-linked high-deductible plans could potentially reduce premiums by 50 percent or more compared to a typical low-deductible plan.

Don Goldman, president-elect of California Association of Health Underwriters, describes HSAs as a "thinking outside of the box" approach to the problem of rising health insurance costs. He thinks they have a big future in California.

"Mostly because California is a small business state," he said. "And when you talk about the kind of (health insurance) rate increases we get in California ... you've got to find a way to offset that as an employer, either through significantly lower benefits, or to pass the costs onto employees, or you think outside of the box."

Joe Walshe, a principal at PricewaterhouseCoopers HR service, said HSAs could lead to lower premiums while helping smaller firms that don't offer health insurance to be able to do so.

"Small employers and employers that couldn't afford to offer health-care benefits, this provides more of an affordable opportunity for them, where they can offer a high deductible where premiums are not that bad," he said.