



UST Executive Conference on the Future of Health Care

Demystifying the HSA and High Deductible Insurance:
Where is the Value and What Does the Future Hold?

Blue Cross Blue Shield

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November 7, 2008

Session Schedule

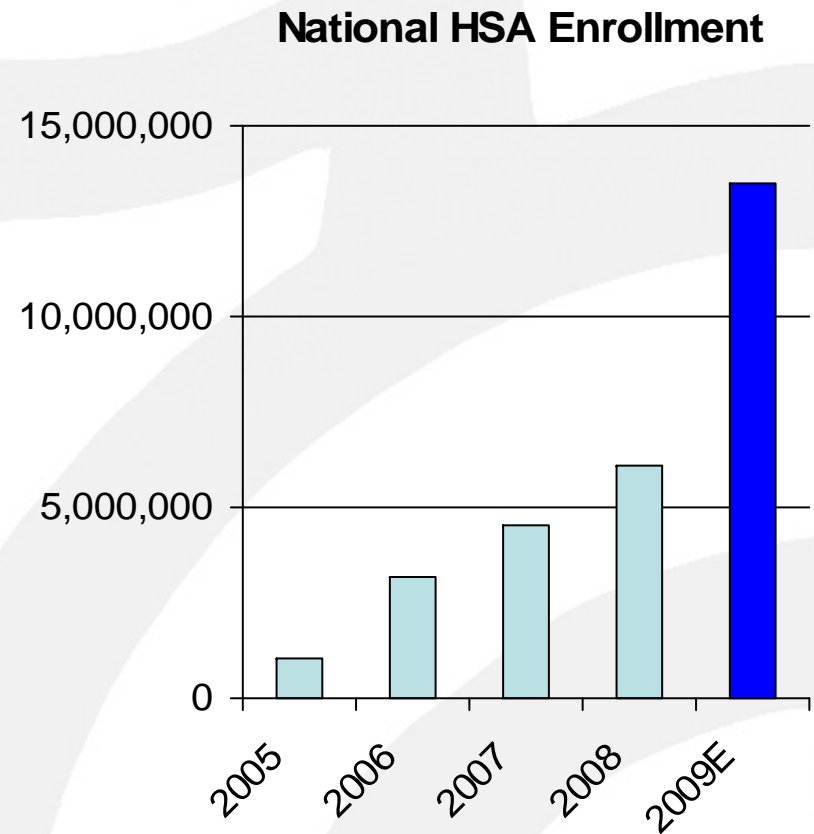
- 10:45 – 11:15 a.m. Presentation
- 11:15 a.m. Divide into Discussion Tables
- 11:15 – 11:35 a.m. Table Discussions
- 11:35 – Noon Facilitated Group Discussion

Health Savings Account overview

- Portable financial account owned by the employee
- Funded by employee and/or employer
- Contributions can be used for current medical expenses or saved for future use
- Unused funds roll over – no “use it or lose it”
- HSAs must be paired with a qualified HDHP
- Lower premiums
- Triple tax advantages
- Employer and/or employee can contribute
- Employees are financially motivated to be wise consumers and medical savers

HSA enrollment growth

- Rapid market adoption
- Midwestern and Southern regions
- Multiple market segments



Source: AHIP

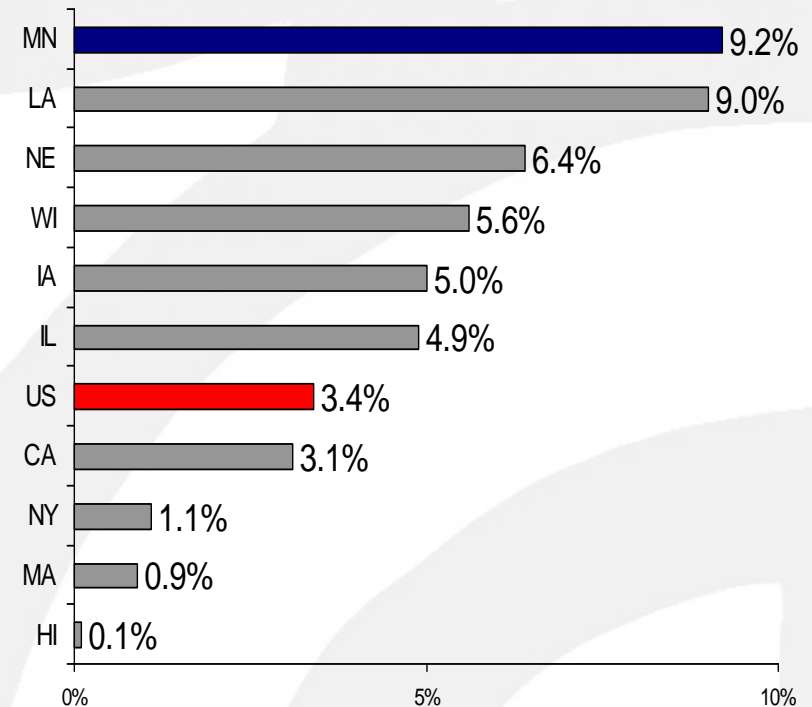
Minnesota leads the nation

Vibrant commercial market place

- Strong local health plans
- Low uninsured rate
- All market segments
- Innovative employers
- Relatively educated workforce

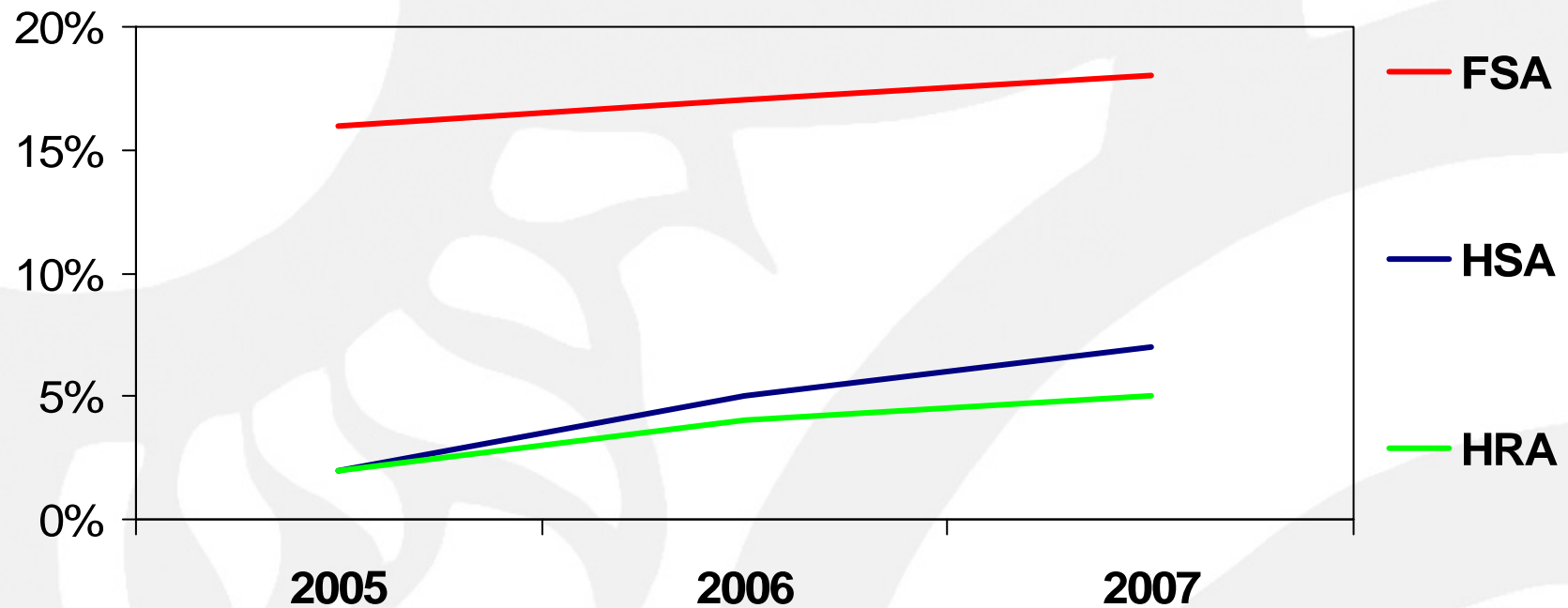
2008 HSA Penetration^{AHIP}

As a percent of commercially insured



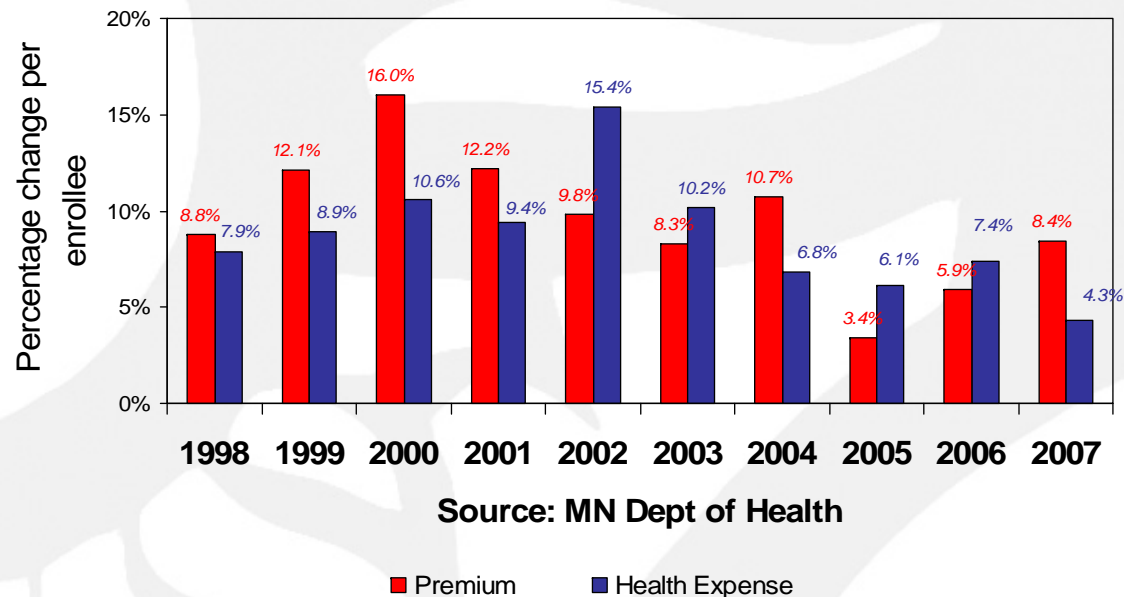
Growth in all tax advantaged consumer spending accounts

Percentage of US commercially insured with a spending account



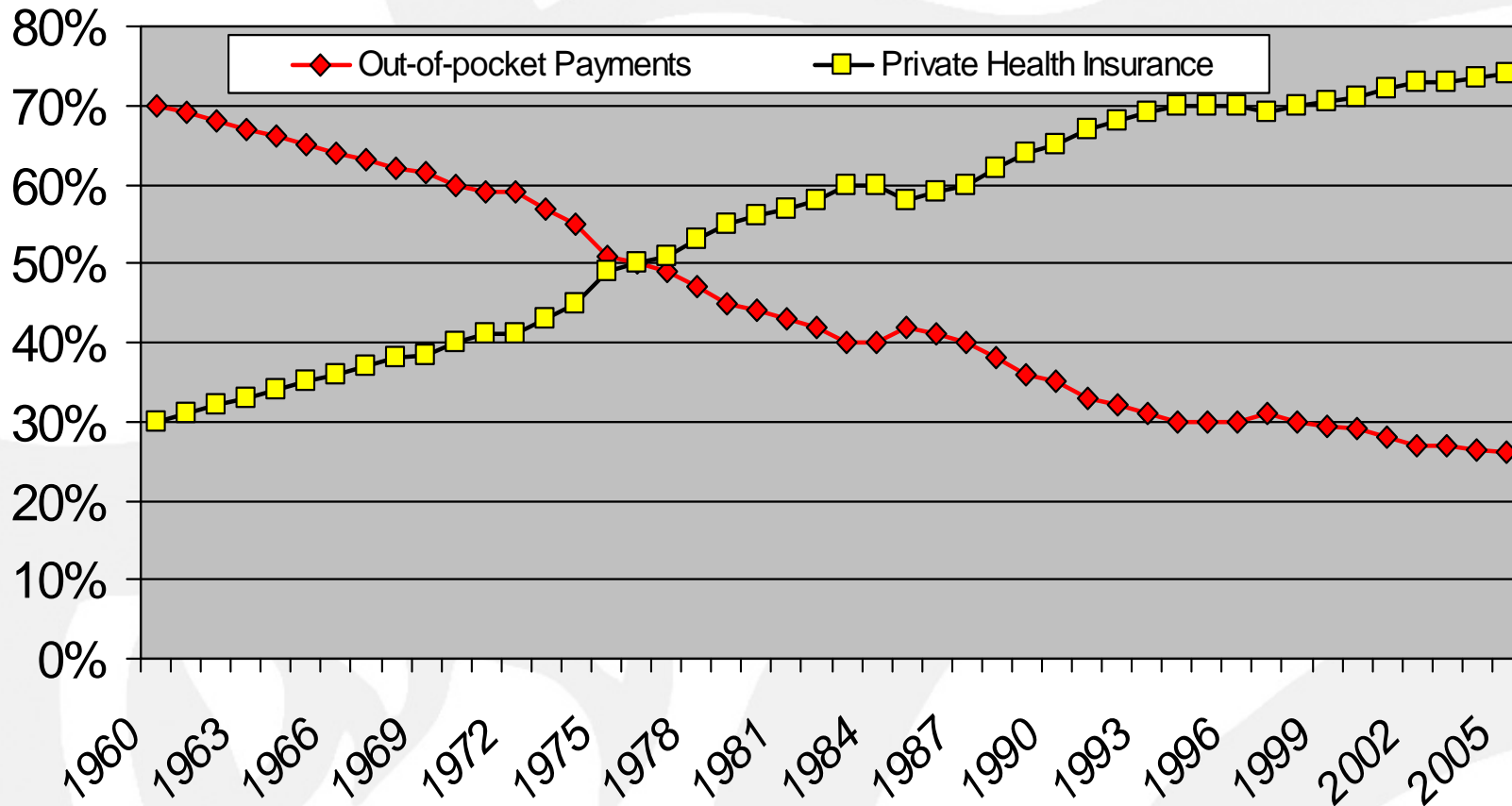
Source: Forrester Research

Something is happening in Minnesota



- In 2007, growth in health expense per enrollee was the **lowest** in a decade
- In 2007, growth in health expense per enrollee was **lower** than growth in wages/income for first time in a decade
- The employee share of health expense went from 10% to 15% from 2000 to 2007

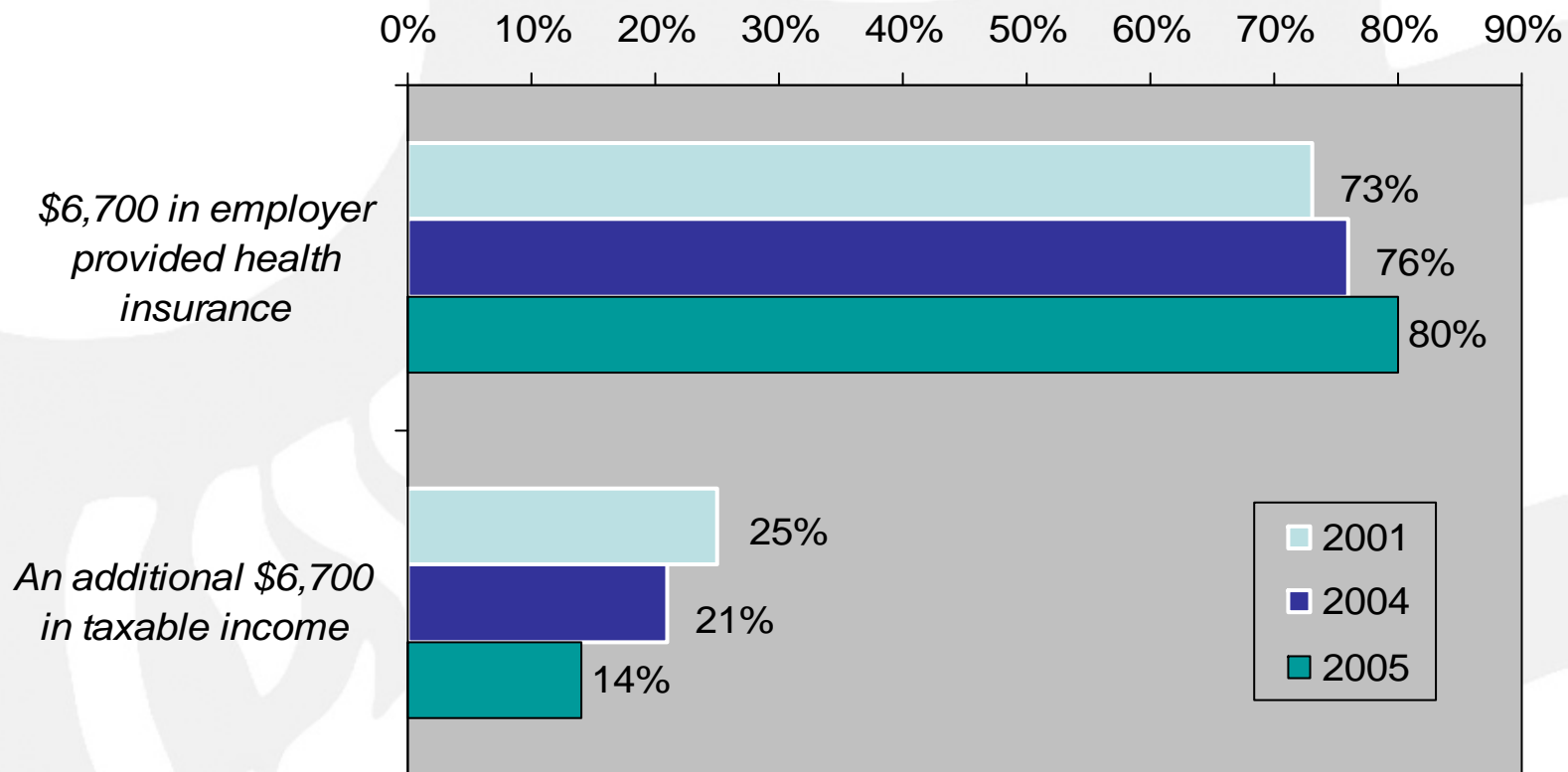
US Employers use health care benefits to attract workers



US Percentage of out-of-pocket vs. Insurance, 1960-2005

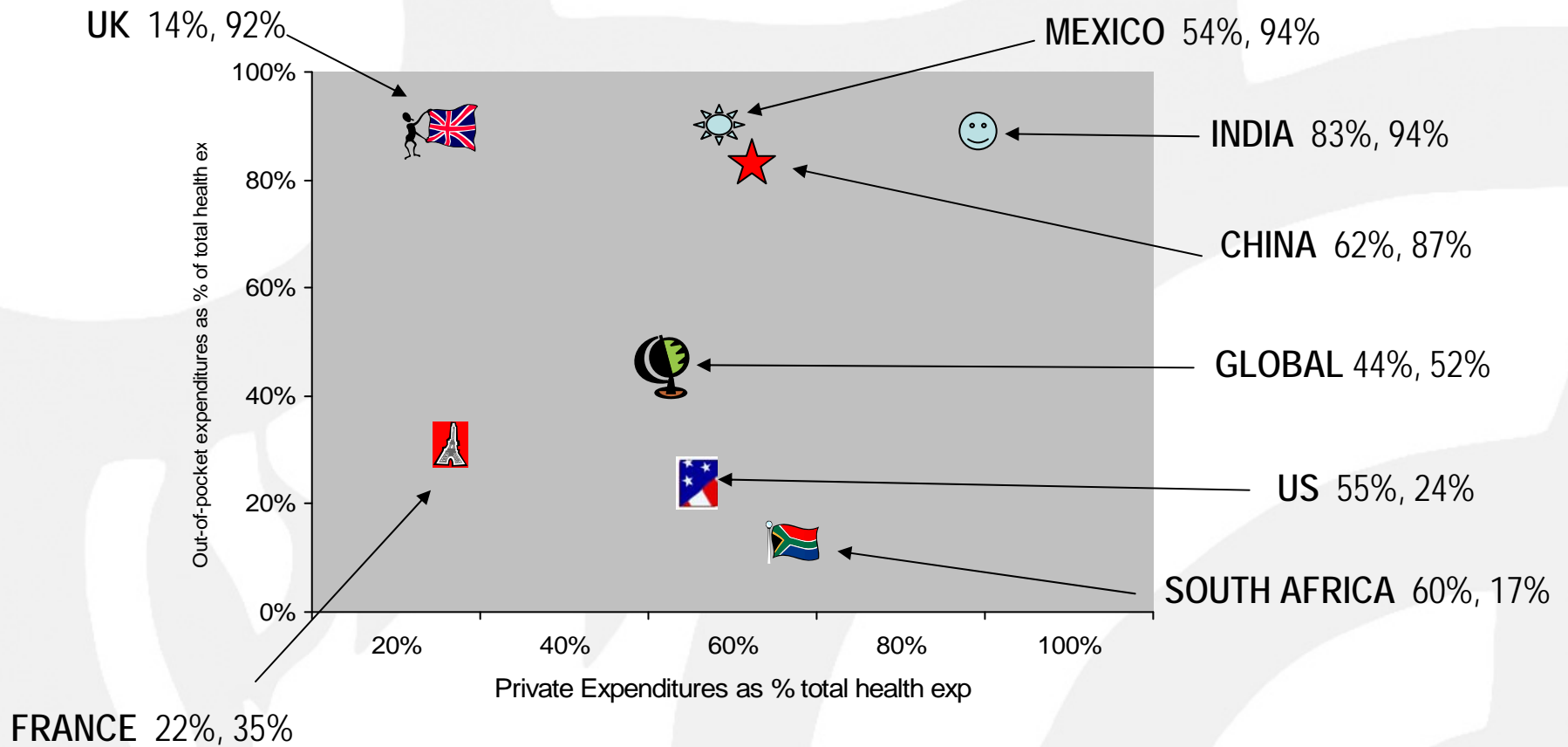
Source: Centers for Medicare and Medicaid Services

American workers “like” employer based health benefits



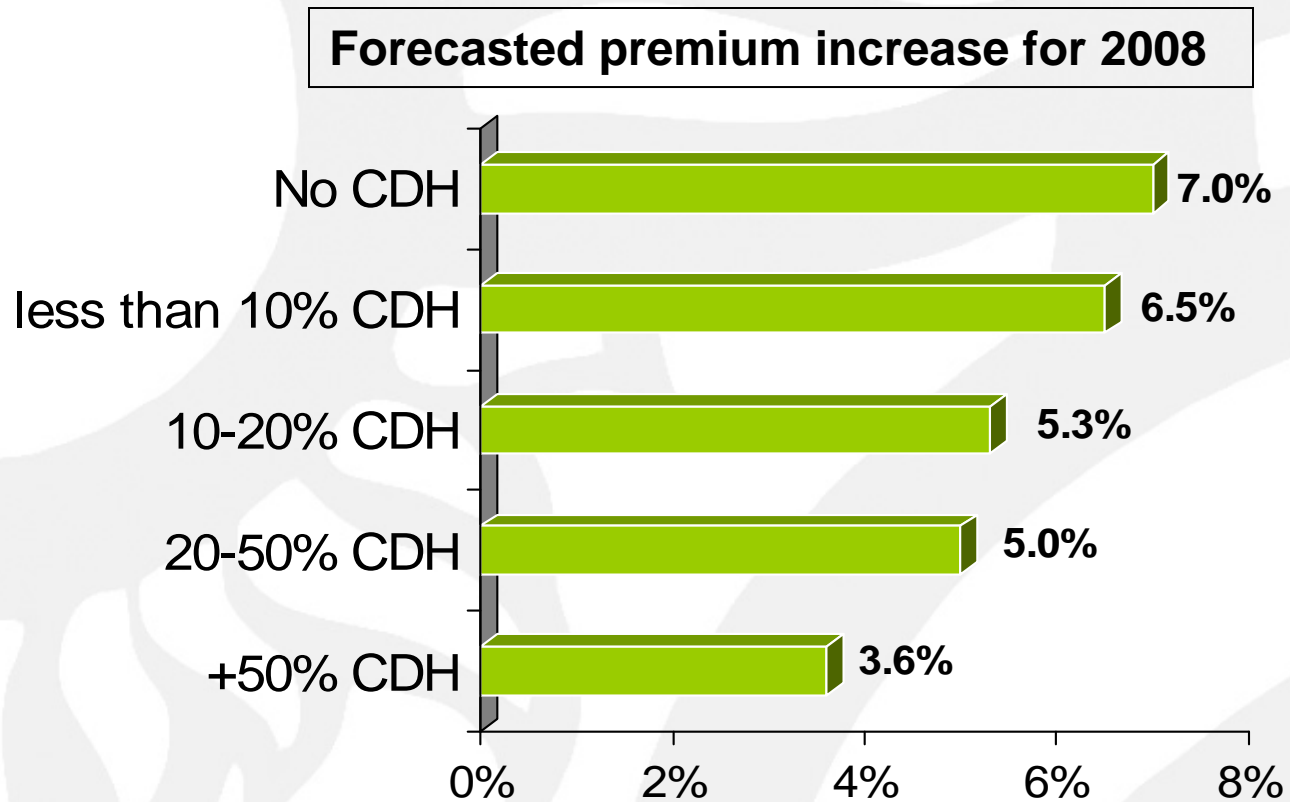
Source: EBRI's Health Confidence Survey

The Global Picture



Are higher deductibles “working”?

Employers say YES



Source: *Watson Wyatt 2008 Purchasing Value in Healthcare employer survey*

Become a high performing employer

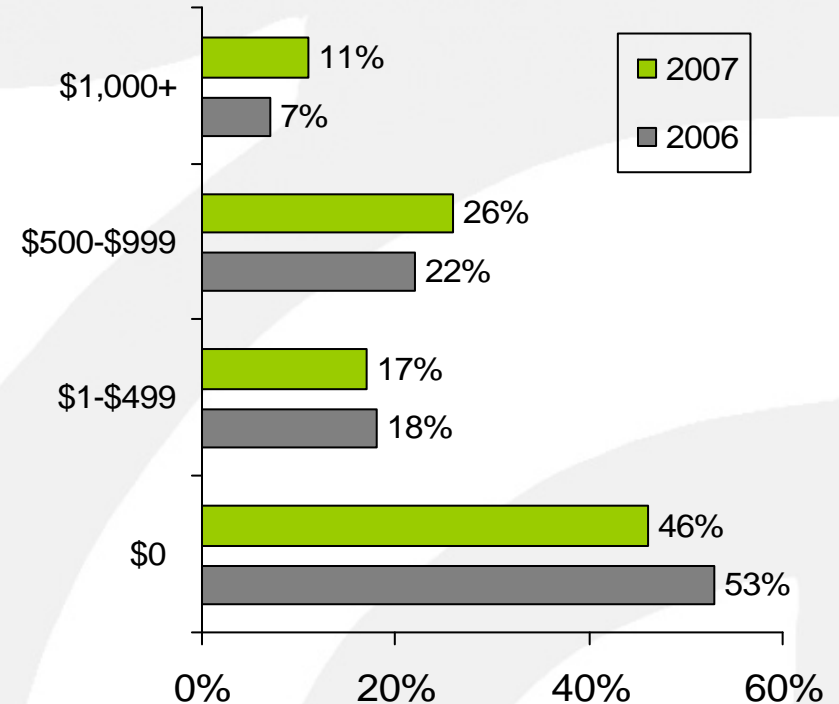
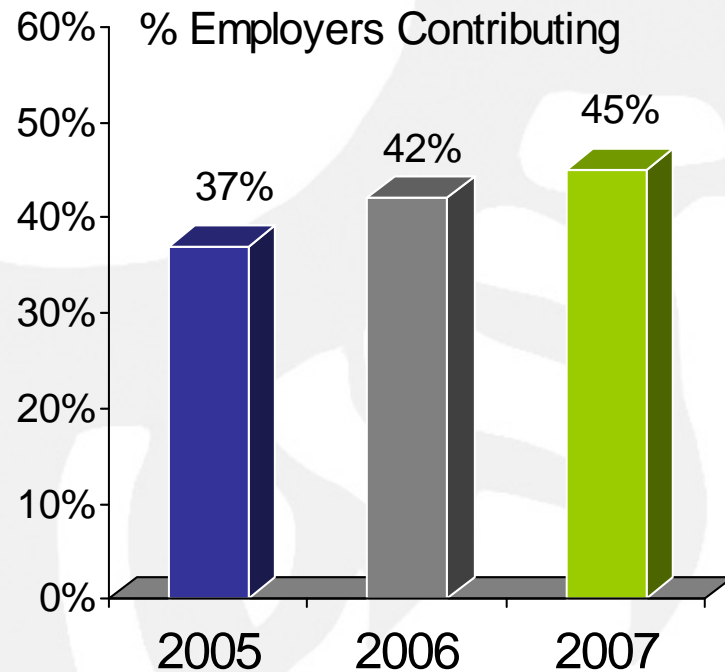
Towers Perrin research has identified four cornerstones for success for employers:

- Build a new mind set around health
- Help employees gain confidence in their ability to manage financial risk
- Must have an organizational climate of trust and employee well-being
- Thoughtful change management, communication and visible leadership

88% of enrollees at high performing employers reported a good experience with an HSA or HRA based-plan vs. 29% at low performing employers

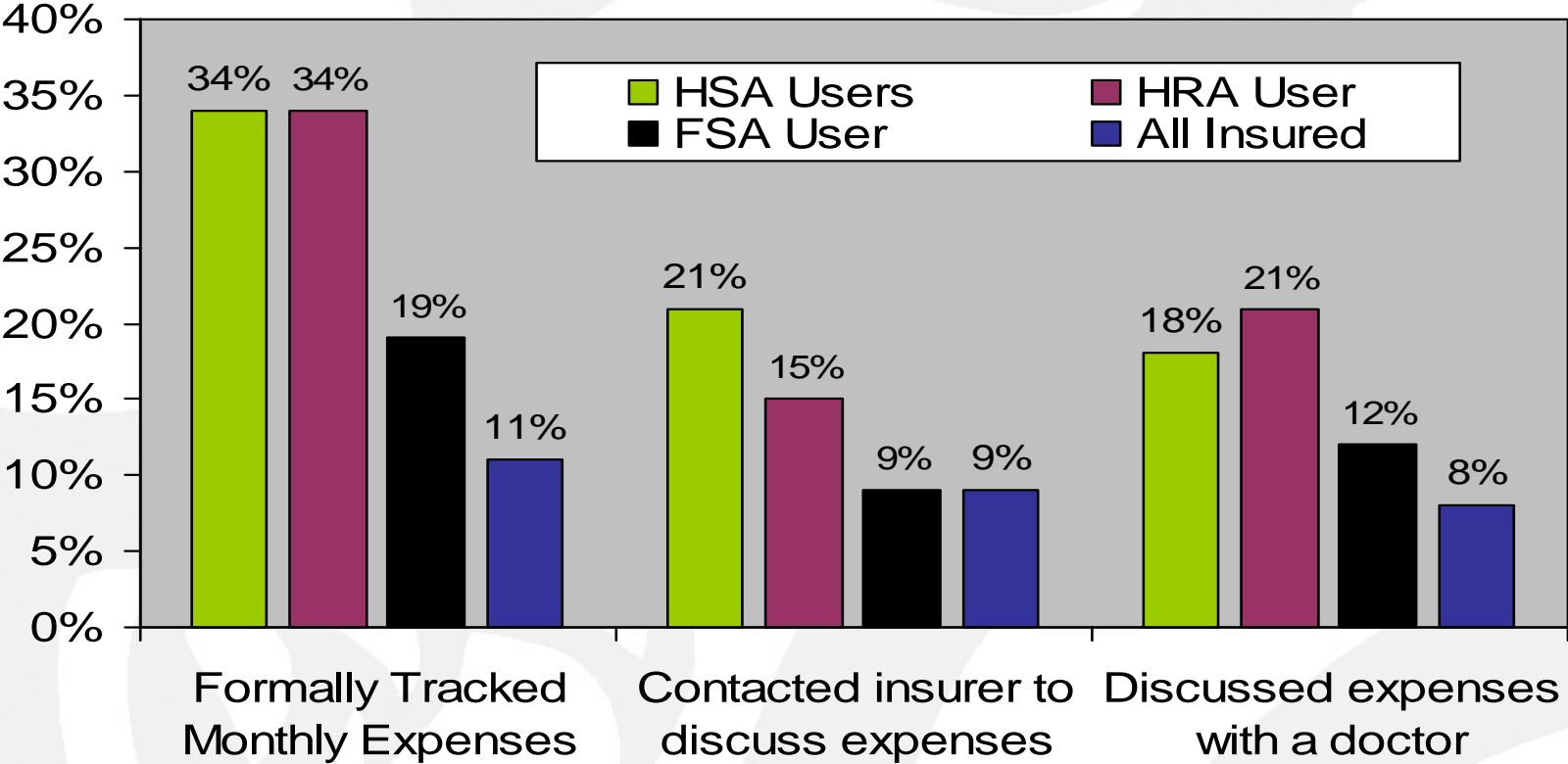
71% of enrollees at high performing employers believe it is appropriate for them to share medical expenses with their employer

Employer Contributors and Amounts



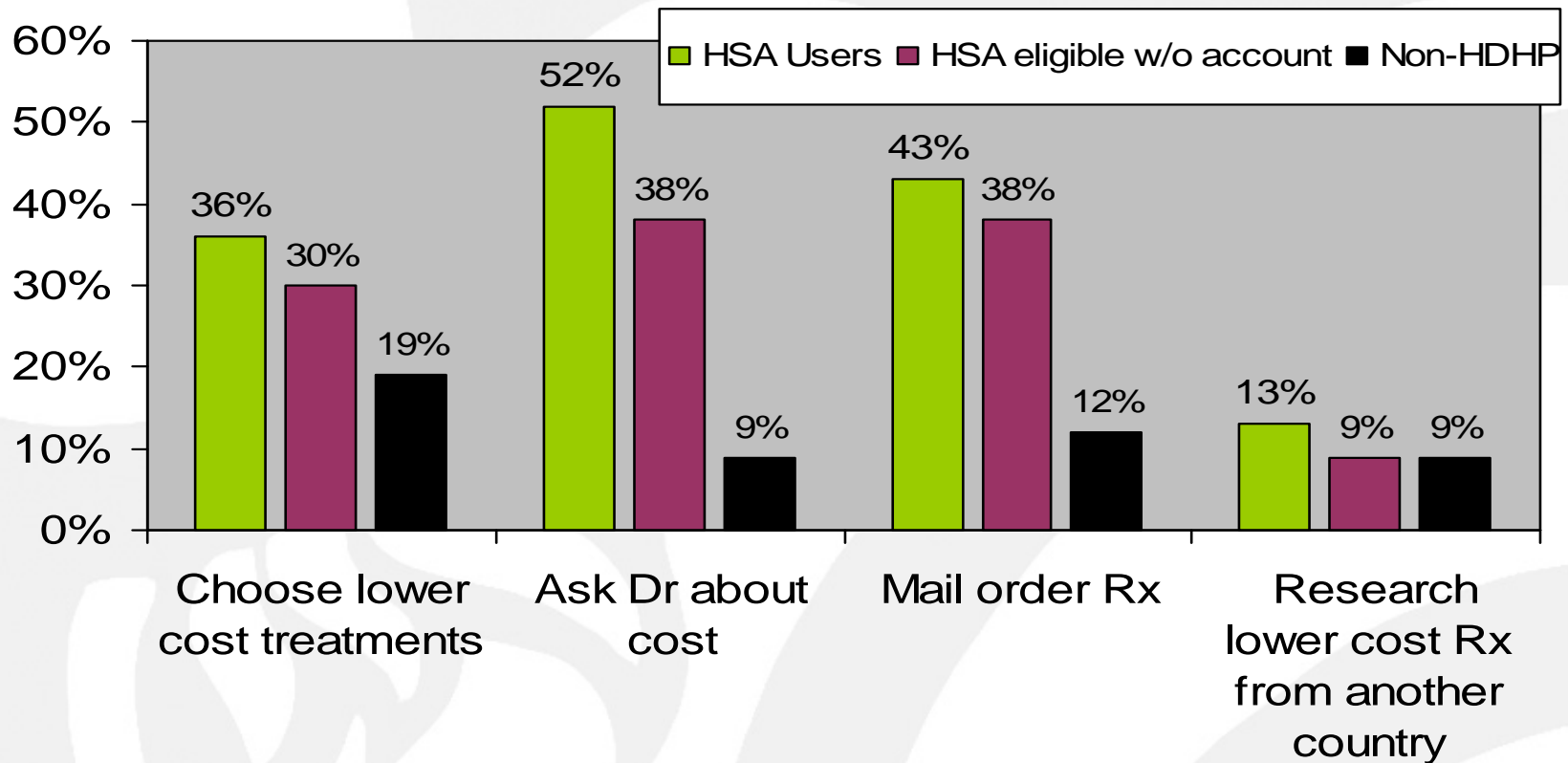
Source: Blue Cross Blue Shield Association CDH survey 2007

Consumer Behavior



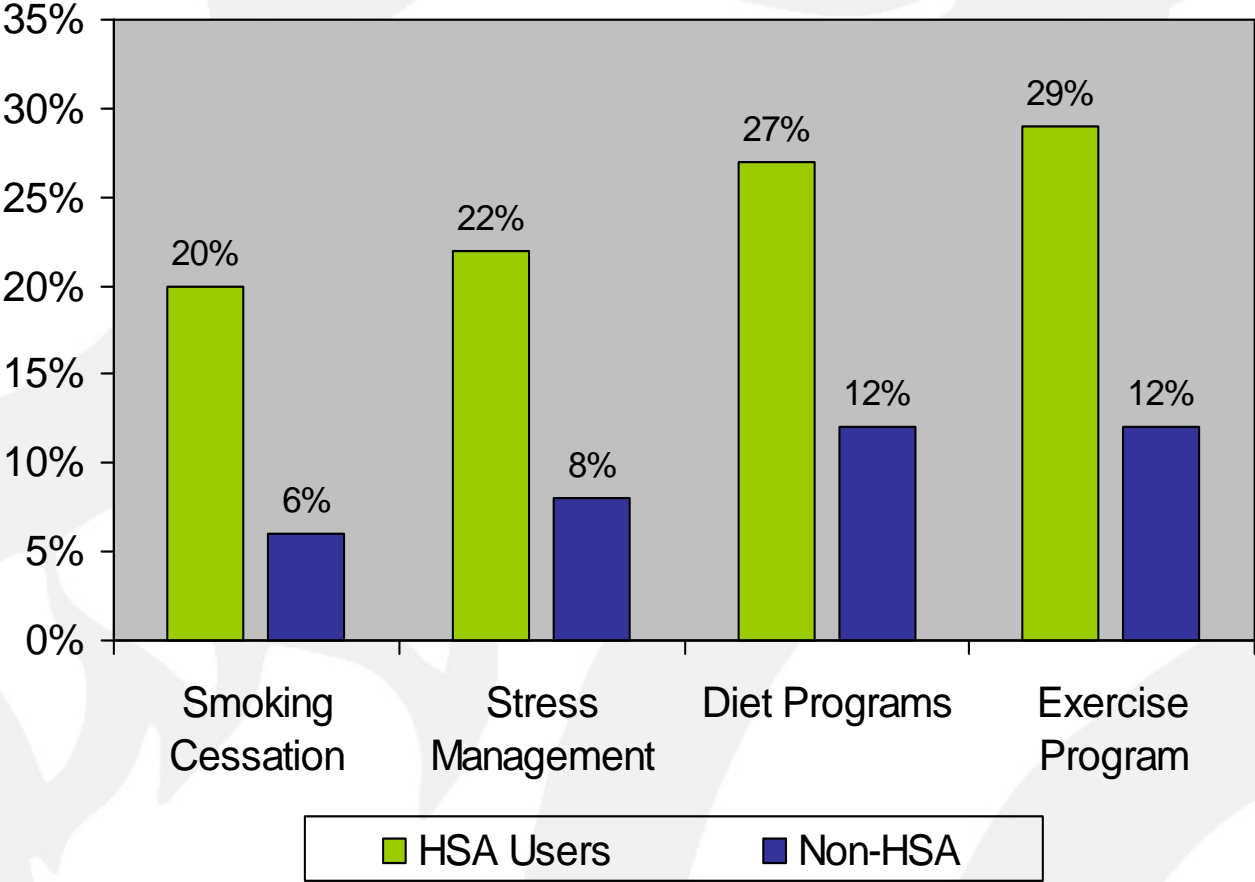
Source: Blue Cross Blue Shield Association CDH survey 2007

Don't forget the account



Source: Blue Cross Blue Shield Association CDH survey 2008

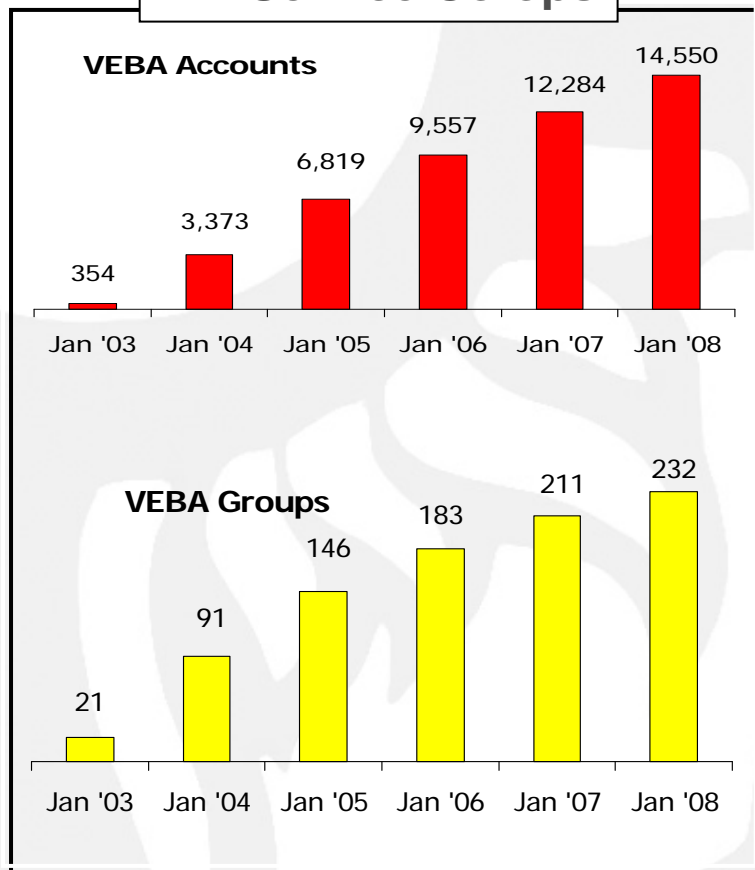
Healthier Behavior.....do we really believe this slide?



Source: Blue Cross Blue Shield Association CDH survey 2007

Case Study: MN Service Cooperatives

MN Service Co-ops



Minnesota Service Cooperatives

- Voluntary cooperative purchasing organization
- Public employees in Minnesota
- 100,000 employees
- 25% CDH market share in dual choice offering
- \$2,400 average balance per account
- +\$40 million in medical savings

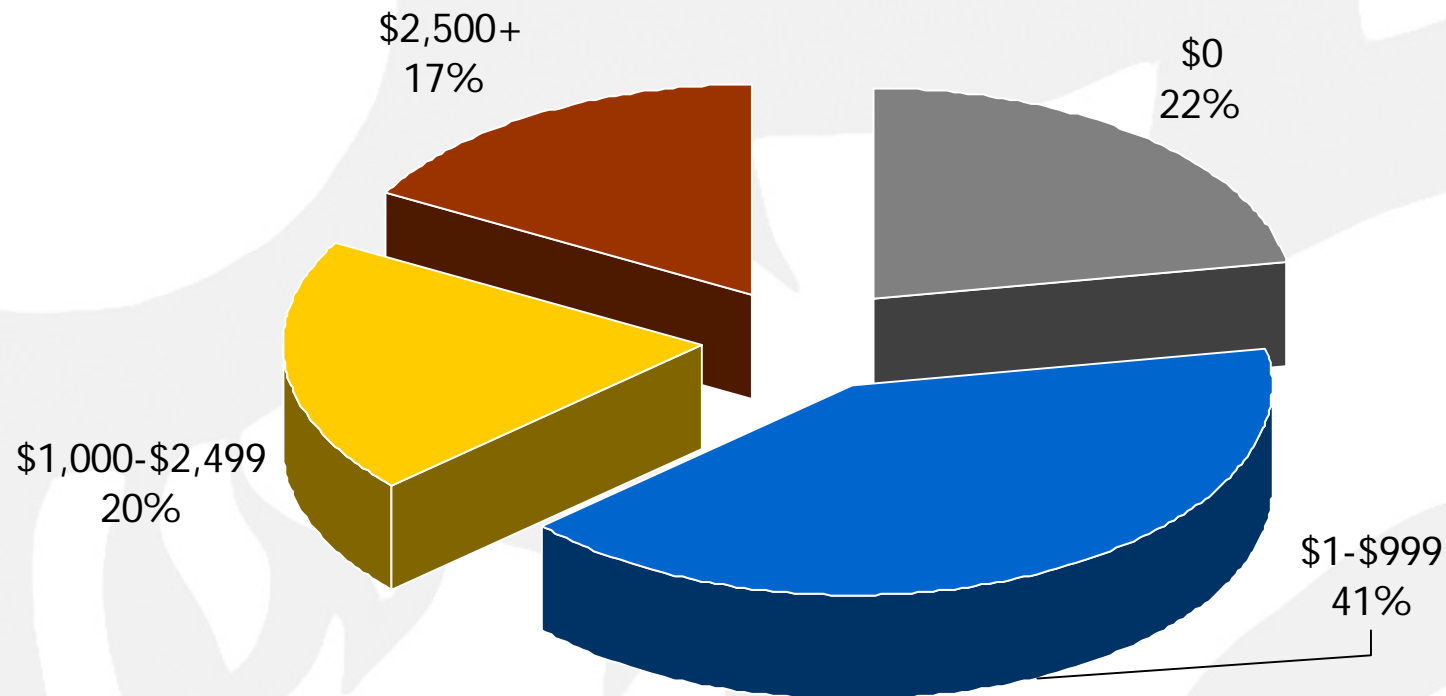
MN Service Coops: Utilization profiles

Risk-adjusted efficiency indices	2004	2005	2006
Morbidity / "Health" Index	1.13	1.11	1.11
ER visits / 1000	82%	89%	88%
Professional encounter / PMPY	98%	101%	101%
Professional RBRVS / PMPY	90%	94%	92%
X-ray & lab services / PMPY	93%	95%	96%
Script days / PMPY	99%	105%	105%
Script counts / PMPY	109%	114%	111%
Inpatient admissions / 1000	116%	105%	87%
Inpatient days / 1000	96%	98%	97%
Preventive visits / PMPY	106%	109%	106%

Source: Quarterly Benefits, Blue Cross utilization study

HSA balances are still 90% health

HSA balances in the SelectAccount book of business



Health Care Providers “love” high deductible plans

- Growing bad debt
- Retail funding will add to cost of care

Conclusions

- High deductible health insurance products are here to stay
- American employers and employees still prefer employer based insurance models
- Some employers are more high performing than others
- Many employees prefer control over their share of medical costs
- High deductible insurance works much better when employees use a pre-tax spending account
- While health utilization is lower with HDHPs, they can not solve the health care crisis
- Providers need help in dealing with this new reality