

## Health Insurance Rates On HSAs Drop

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*A DOW JONES NEWSWIRES COLUMN*

NEW YORK -- Some insurance companies are lowering premiums on health insurance tied to health savings accounts -- a seemingly surprising turn of events after four years of double-digit increases in health-care costs.

It's too early to tell, however, if the few cases of rate decreases represent any significant trend in the effectiveness of so-called consumer-directed health care.

Health savings accounts, or HSAs, are a new form of health insurance created in December 2003. The HSA comes in two parts: First, you would purchase a certain type of high-deductible health-insurance policy. Next, you would open a special savings account that allows you to shelter from taxation the money you spend on health care.

Theoretically, at least, HSAs can help people lower their health-care costs. To start with, premiums for high-deductible insurance are quite low. Add to that the tax-sheltered savings account and people who manage to keep their health up and their costs down stand to spend less. The risk, of course, is that out-of-pocket expenses are higher if you do get sick.

At least five insurance companies have lowered, or are in the midst of lowering, premiums on existing HSA-eligible insurance products. Those companies are PerfectHealth Insurance Co. of Staten Island, N.Y., Pacificare Health Systems Inc. (PHS) of Cypress, Calif., American Community Mutual Insurance Company of Livonia Mich., World Insurance Co. in Omaha, a unit of American Republic Insurance Co., and Assurant Inc. (AIZ) of New York.

HSA advocates are touting the declines as proof that consumer-directed health care works. In other words, the only way to stifle skyrocketing health costs is to put the onus on consumers to stay healthy or pay the price.

Others suggest that the reasons behind the declines are more mundane. HSAs are very new products, with the first batch launched only last year. Insurance companies, therefore, are still trying to feel their way through the pricing these products. An early price adjustment to better reflect claims experience and competition, therefore, is not surprising.

"It's possible that we were priced more conservatively in the beginning and we discovered it didn't need to be priced as conservatively as we had thought," said Tom Peterson, chief operating officer at American Republic in Des Moines.

The reductions may just signify that companies are facing more competition for HSA dollars than they anticipated, said Don Mazzella, editorial director at HSAFinder.com. "I think they were caught flatfooted by the number of people who are buying HSAs," he said. (Sales of high-deductible health insurance tied to HSAs reached the one-million mark this year, according to America's Health Insurance Plans, a trade group in Washington, D.C.)

Regardless of the reasons for the rate declines, people with HSAs may want to consider taking another look at their options. Some companies that are lowering rates are only doing it for new customers, not

existing clients. That means that the early adopters of HSAs could save money on premiums by dumping their current plan and looking for something new. This includes self-insured individuals who purchased HSAs on their own, as well employers that offer HSAs to their employees.

- PerfectHealth Insurance plans to lower premiums on its HSA-eligible high-deductible insurance by an average of 20% for New York small-business clients starting July 1, said Bill Thomas, executive vice president. "It's because of consumer-driven health care," he said. "As people become better consumers, they are better at spending money and not as wasteful."

- Pacificare Health, meanwhile, plans to lower premiums for small-employer plans in California by an average of 15%, also by July 1, said a spokeswoman for the company. "We're coming back and making some adjustments, which is pretty common if you have a new product out there," she said.

- American Community Mutual Insurance plans to lower HSA-related insurance rates in several states for both small groups and individuals. On the small-group side, they plan to reduce rates starting June 1 by an average of 25% in Michigan, by 5% in Illinois and by 10% in Nebraska. For individuals, the company is looking to lower rates starting July 1, by an average of 20% in Illinois and by 5% in Indiana and Ohio. "Utilization was lower than expected in some states," said Peg Briggs, senior vice president of individual products, referring to claims experience.

- World Insurance Company has already lowered premiums, starting April 1, by between 5% and 10% on some of its high-deductible insurance products in 21 states, including Arizona, Georgia, Pennsylvania, Texas and Virginia.

- Assurant lowered rates on its basic HSA insurance product between 5% and 15% in about six states starting February, company officials said. "Like most industries, we are looking through the rearview mirror and constantly making adjustments," said one official. Just because rates have been lowered doesn't mean "medical inflation isn't alive and well," he added.

Even if rates are on the decline because people with high-deductible HSA insurance plans are making fewer claims, that's no guarantee the consumer-driven model works, said Nettie Hoge, deputy commissioner for policy and planning with the California Department of Insurance in San Francisco. One potential danger insurance companies want to watch out for is that people with HSAs make fewer claims because they don't want to spend money -- not because they're healthier or smarter consumers, she said.

"If folks are forgoing necessary care to save money," then costs will explode down the line, she said. Still, she admits: "It's very surprising to see a reduction request when the trend is double-digit increases every year."

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