



## The reality of high-deductible plans

Knowledge equals power, or at least that's the idea behind high-deductible health plans, also referred to as consumer-driven health plans. Consumers pay lower premiums but have higher deductibles, which they cover using the money they place in tax-deferred medical savings accounts such as health savings accounts or health reimbursement arrangements.

Employers who offer HDHPs save on health care costs, and by being conscientious about preventive care and medical procedures, employees may save, too. But even savvy consumers who understand what they're getting into when they enroll in an HDHP may not anticipate or be able to cover the out-of-pocket medical expenses not covered by the plans. In 2016, 65 percent of employees reported having less than \$1,000 to pay out-of-pocket expenses associated with unexpected serious illnesses or accidents.<sup>1</sup>

Even more alarming: A 2014 Commonwealth Fund report estimates 23 percent of adults ages 19 to 64 had such high out-of-pocket costs or deductibles relative to their incomes that they were underinsured.<sup>2</sup> In short: They have coverage but can't afford the deductibles or out-of-pocket expenses to actually use it. Voluntary insurance can help make high-deductible plans a more attractive alternative for the average employee.

## HDHPs: The fan favorite?

Aflac's 2016 Open Enrollment Survey<sup>3</sup> of 1,900 employees shows that nearly half (53 percent) selected a health plan with a deductible of \$1,000 or more. For 57 percent of these employees, it was their only choice.

A PricewaterhouseCoopers study found the same trend in high-deductible plan prevalence. The percentage of employers offering HDHPs has grown 300 percent since 2009. Twenty-five percent of employers are now only offering HDHPs to their employees, a nearly 40 percent increase over 2014.<sup>4</sup>

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## Who benefits? Benchwarmers vs. starters

With the Affordable Care Act, most individuals are now required to have major medical health care, and more employees are enrolling in employer-sponsored insurance plans. For employers, more enrollments mean higher costs. They're combating rising prices by offering lower-premium plans, a less expensive alternative to offering traditional health plans.

HDHPs may make sense for people who are generally healthy and don't have children. They may work for those who have savings to spend on unexpected health care costs that arise in the case of illness or accident.

Those who "expect a considerable amount of medical care" should consider another type of plan, explains a Forbes contributor:<sup>5</sup> "Those with chronic illnesses, the need to see several specialists or possible hospitalizations in the coming year will save more in the long run with a lower deductible. Also, families with small children can benefit from a low-deductible plan, particularly if the children are involved in sports or frequently ill." Additionally, those who are more comfortable with consistent, predictable costs may prefer a more traditional insurance plan.

## Playing through the pain: Employees come clean about their HDHP experiences<sup>3</sup>

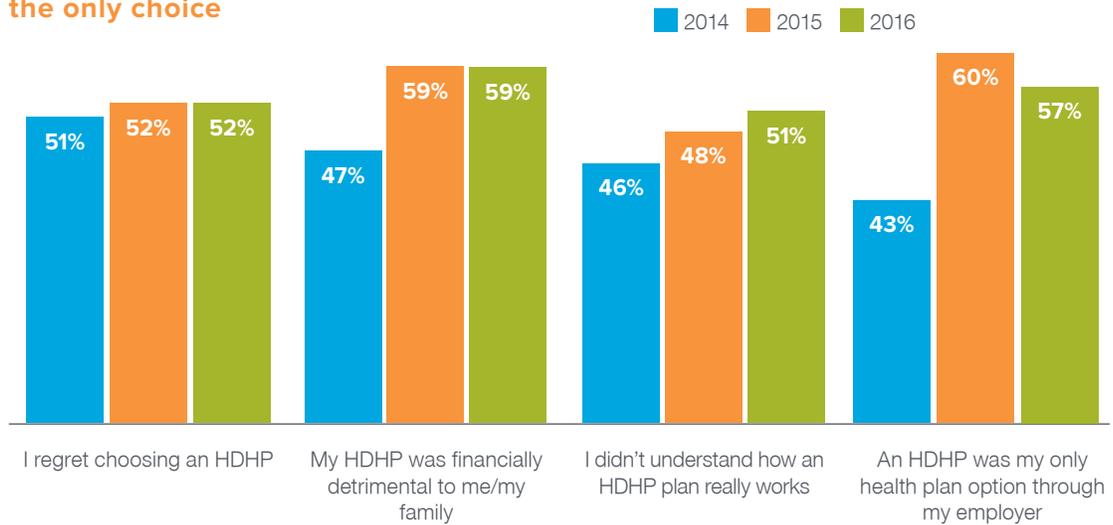
While high-deductible plans do work for some, roughly half of workers (52 percent) with HDHPs at least somewhat agree they regret choosing them. Even more bleak: 59 percent at least somewhat agree they were financially detrimental to themselves or their families.<sup>3</sup>

Still, many will select a high-deductible plan again, some because it's the only employer-sponsored insurance option available, some because cost is the driving factor for plan selection. Thirty-seven percent of

**59%**  
say HDHPs were  
financially detrimental.<sup>3</sup>

employees say the amount of monthly premium or the percentage of coinsurance they have to pay for health care services is the most important factor when choosing their major medical insurance each year.<sup>3</sup>

### Employees express negative attitudes about HDHPs,\* but for most, they are the only choice

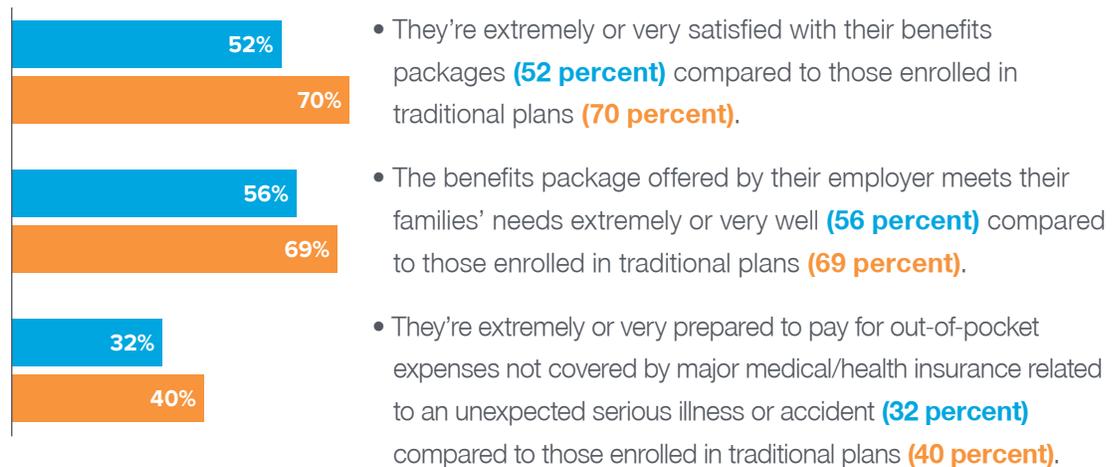


\*Respondents who somewhat, strongly or completely agree.

HDHP enrollees are more likely than those enrolled in other types of plans to say they made mistakes the last time they enrolled in major medical insurance and more likely to believe mistakes made during open enrollment cost them more annually than those who didn't elect an HDHP.

The good news is employees who elect HDHPs are more likely than employees who elect other types of insurance plans to take advantage of wellness and cost-saving initiatives when they're offered by employers. That includes smoking cessation programs, online doctors' visits or telemedicine, healthy eating programs and wearable devices that promote wellness such as Fitbits.

Still, those enrolled in HDHPs with annual deductibles of at least \$1,000 are less likely to say:<sup>1</sup>



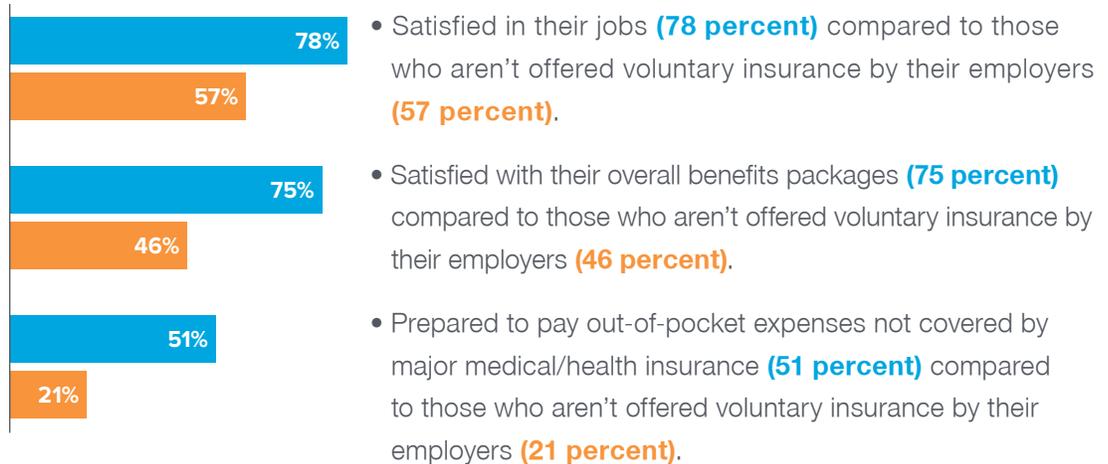
## Protect your talent and your bottom line

Whether or not consumers can actually afford them, they'll continue to purchase high-deductible plans. Unfortunately, much like the uninsured, those with HDHPs who can't afford health care costs may cope by rationing medicine, avoiding doctor visits or putting off medical procedures.

Smart employers will ease the financial burden and stay competitive by:

- » Educating employees about their benefits options, clearly and regularly communicating throughout the year, not just during open enrollment season.
- » Contributing to employees' medical savings accounts.
- » Offering voluntary insurance to help offset out-of-pocket costs. Policies such as accident and critical illness complement HDHPs because benefits are paid directly to policyholders, allowing them to use the money to help with out-of-pocket and nonmedical expenses such as rent, child care and other bills that can accumulate when a worker is hurt or sick and can't work.

Employees enrolled in voluntary insurance benefits are more likely to say they are extremely or very:<sup>1</sup>



With these extra benefits options, high-deductible plans can successfully keep employer costs down while still allowing them to offer affordable and attractive benefits packages that meet employee needs.

## Sources:

- <sup>1</sup> The 2016 Aflac WorkForces Report is the sixth annual Aflac employee benefits study examining benefit trends and attitudes. The study, captured responses from 1,500 benefits decision-makers and 5,000 employees from across the United States. To learn more about the Aflac WorkForces Report, visit [AflacWorkForcesReport.com](http://AflacWorkForcesReport.com).
- <sup>2</sup> The Commonwealth Fund. "The Problem of Underinsurance and How Rising Deductibles Will Make It Worse: Findings from the Commonwealth Fund Biennial Health Insurance Survey, 2014." Accessed April 21, 2016.
- <sup>3</sup> 2016 Aflac Open Enrollment Survey, conducted by Lightspeed GMI June 16 - July 5, 2016, among 1,900 adults ages 18 and older who are employed full or part time in the U.S. at a company with three or more employees.
- <sup>4</sup> PricewaterhouseCoopers Health Research Institute. "Medical Cost Trend: Behind the Numbers 2016." Accessed April 25, 2016.
- <sup>5</sup> LaMontagne, Christina. Forbes.com. "Should I Choose A High Or Low Deductible Health Insurance Plan?" Accessed April 25, 2016

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