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Friday, January 16, 2009

New health for HSAs

Recession and rising costs are pushing more employers to offer health savings accounts to their workers

San Francisco Business Times - by [Chris Rauber](#)

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The deepening recession is doing something for HSAs — health savings accounts — and other high-deductible health plans in California that a decade of hype could not: It's making employers sign up.

Kaiser Permanente, for instance, expects to reach 1 million members in its deductible plan offerings by mid-year, according to Dr. Artie Southam, Kaiser's executive vice president of health plan operations. That would represent 12 percent of total enrollment for an organization that for decades had been wedded to the traditional HMO model.

In Northern California, the growth spurt will likely translate into between 400,000 and half

a million deductible plan enrollees, Southam told the San Francisco Business Times, or roughly 40 percent of Kaiser's national deductible plan total.

Between 15 percent and 20 percent of Kaiser's deductible plan enrollees are enrolled in health savings account-compatible, high-deductible plans, he said.

As of last August, in contrast, the Oakland-based health care giant had roughly 800,000 enrollees in what it considers "leaner design" or non-traditional plans, including both deductible and HSA-compatible versions of its traditional HMO products. About 315,000 of those enrollees lived in Northern California.

Growth in the plans is "coming across the board" and largely driven by economic factors, Southam said.

"It's a very difficult economic time for our customers," said Southam, noting that Kaiser has more than 100,000 employer groups as customers, many of which are looking for additional cost savings. "We're making sure we can make Kaiser Permanente available to customers who demand or want a higher level of cost sharing (with employees)," he said. "These are the realities of the marketplace."

Other progress

Nationally, enrollment in high-deductible health plans with a savings option, such as HSAs or HRAs (health reimbursement accounts), doubled to 8 percent from 4 percent of covered workers, according to a December 2008 California Employer Health Benefits Survey by the [California HealthCare Foundation](#). But in California, enrollment in

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such plans was flat, at 4 percent, in part because more Californians are enrolled in HMOs than in many other states, and fewer employers here are self-insured.

Even so, more consumers overall have HSAs in the Golden State than in any other state, according to Cora Tellez, CEO of Oakland's Sterling HSA, which administers health savings accounts. She said new HSA accounts jumped 97 percent at Sterling in 2008, and dollar deposits in HSA accounts it managed increased 86 percent.

Tellez, who earlier in her career was a senior executive with **Health Net**, Kaiser, **Blue Shield of California** and Prudential, said the reason for her company's recent growth spurt is no secret. "It's driven by affordability."

Tellez's company boasts about 2,400 employer customers, many of them from California. Local examples include San Francisco's **Anchor Brewing Co.**, **Aidell's Sausage** of San Leandro, the **Livermore Optometry Group**, **House of Music** and Oakland-based **Seamodal Transport**, an international logistics company that helps clients import and export commercial goods, specializing in large undertakings such as moving entire factories or large pieces of military equipment.

Tony Dolojan, an executive vice president and principal with 26-employee Seamodal Transport, said the company just signed up to have Sterling manage its HSA accounts, making the switch to HSAs because "our conventional medical plan was starting to be a financial burden."

Dolojan said Seamodal — with workers in Oakland, Long Beach, Chicago, Charleston, S.C., and Norfolk, Va. — is saving enough to pay the full premiums of employees who enroll in the HSA and to fund their HSA accounts with \$1,500 this year.

"I see a big takeoff, big growth," said Tellez, propelled in part by business from Kaiser. "They've moved (into this niche) in a very big way," she said. "We have a lot of Kaiser members in our plan."

David Brown, area president at **Gallagher Benefits Services** in San Francisco, agreed that California may soon start catching up with other parts of the country in embracing HSA-compatible and other high-deductible plans, due to economic considerations. Until recently, Kaiser's market dominance, the historical strength of HMOs in California, the perception that HSAs reflected a conservative Republican philosophy, and the state's lack of a tax benefit for HSAs worked against them in the Golden State.

Given the current economic situation, however, "I think there's going to be more consideration given to HSAs, HRAs (and similar plans, if they appear to save money)," Brown said. "The urgency of the economy will trump the idea that they're too complicated."

Brown also noted that HRAs have generated more interest in California than health savings accounts to date, because employers are able to fund reimbursements as they come due, rather than funding an account up front, and because self-insured employers can design plans that meet their specific needs.

"Kaiser is racing to get these kinds of products to market," Brown noted, and more are in the offing, in part because the HMO giant "has lost some large clients" due to the earlier lack of such options.

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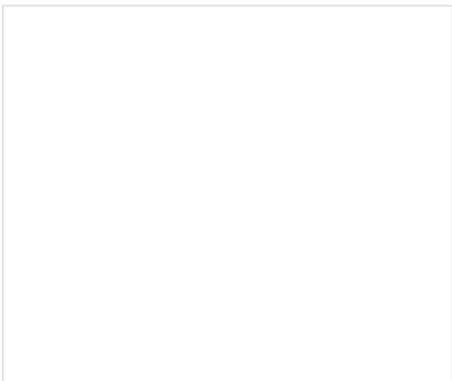
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