Fact Sheet

RAND HEALTH

High-Deductible Health Plans Cut Spending but Also Reduce Preventive Care

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Relentless growth in health care costs is driving a search for solutions. One popular approach is the use of high-deductible health plans or a variation known as "consumer-directed" health plans, which combine a high deductible with a tax-advantaged health account whose funds roll over from year to year. These plans are intended to cut health spending by encouraging consumers to be more cost-conscious about their health care decisions. By 2009, about 20 percent of Americans with employer-sponsored health coverage were enrolled in high-deductible plans. A 2010 survey found that more than 54 percent of large employers offered at least one such plan. Yet despite growing enrollment, little is known about how these plans affect health care spending or the use of services.

A team led by RAND Health researcher Amelia Haviland has conducted the largest assessment of high-deductible health plans to date. The team examined the experiences of more than 800,000 individuals insured during 2004 and 2005 through one of 53 large employers, about half of which offered a high-deductible or consumer-directed plan. This allowed comparison of spending patterns and the use of preventive care by high-deductible plan enrollees with those of employees from firms offering only traditional plans. The team's findings show that in the first year of enrollment, high-deductible plans significantly reduce health care spending but also lead consumers to cut back on their use of preventive health care.

Key findings include the following:

- Health spending for families with a deductible of $500 per person or more dropped an average of 14 percent when compared with similar families in traditional health plans.
- However, cost savings were significant only for enrollees in plans with a deductible of at least $1,000 per person.
- Cost savings in these high-deductible plans held, even when employers made moderate account contributions to help offset the additional costs associated with a $1,000 deductible plan.
- As families reduced medical spending, they also eliminated some beneficial care. Childhood vaccination rates dropped among families in high-deductible plans, while at the same time they increased among families in traditional health plans. Rates of mammography, cervical cancer screening, and colorectal cancer screening also fell among those with high-deductible health plans relative to those in traditional plans.
- Interestingly, the drop in preventive care occurred even though high-deductible plans waive the deductible for such care.

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The researchers suggest some possible explanations for the findings about use of preventive care. High deductibles may deter patients from seeking care for health problems that would prompt a referral for some preventive or screening procedure. Some patients may have sought preventive care outside their plan—through an immunization clinic, for example. Finally, first-year enrollees might not have understood that their deductible was waived for preventive care. It is possible that over time individuals will become more familiar with plan provisions, including benefit designs that encourage the use of preventive services. Nonetheless, this finding suggests that policymakers may wish to explore additional ways to promote preventive service use. The federal Patient Protection and Affordable Care Act, enacted in 2010, requires health plans to waive deductibles for preventive treatments. This fact needs to be clearly communicated so that Americans increase their use of preventive care.

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