LETTERS TO THE EDITOR

Consumer-directed Health Care: Except for the Healthy and Wealthy It's Unwise

To the Editor: Women spend more on routine preventive and screening health care in their “younger” years than men. Thus, high deductible coverage *by itself* certainly could result in younger women paying more out-of-pocket, except...

- Very high deductible coverage is significantly less costly, about 50% less than first-dollar coverage as a consequence of reduced insured payouts and changes in the demand for medical care (see p. ix in Manning et al.¹). Thus high deductible premiums are as little or less than half the cost of first-dollar coverage. Consider then the nearly \$12,000 average US premium for first-dollar family insurance coverage—converting to high deductible coverage should save between \$5,000 and \$6,000 on insurance premiums per family each year (individuals converting from the average \$4,500 first-dollar premium to a high deductible plan should save about \$2,250 on insurance each year).
- People who have high deductible coverage spend on average about 60% less on outpatient care than those with first-dollar coverage (or said differently, people with first-dollar coverage spend 67% more than people with high deductible coverage). There were no significant differences in overall health between the two spending groups (see p. 34 in Manning et al.¹).
- Health savings accounts (HSA) qualifying high deductible health plans provide for preventive care coverage below the deductible (although expanded preventive care coverage will reduce savings on premiums).

If the \$5,000–6,000 in high deductible premium savings are converted into tax-free HSA or health reimbursement arrangement (HRA) contributions, then consumers actually stand to make money from the transition. And, if they are good at cost effectively reducing their use of day-to-day care they will keep even more of the savings.

Moreover, with HSAs and HRAs, out-of-pocket expenditures are now paid for on a pretax basis with new dollars (additional money on top of current income), compared to paying copayments dollars on an after-tax basis from current income with

traditional first-dollar coverage. Depending on their tax brackets and health care spending, the vast majority will save a lot more money with consumer-driven health plans than with first-dollar coverage.

Savings on health insurance more than offset the cost of day-to-day care for the vast majority of patients. Of course with HSAs and HRAs younger and/or healthier patients that use little or no health care will spend fewer of these new-found dollars (make more money); on the other hand, with traditional first-dollar coverage the healthy are currently paying for the day-to-day care of others through inflated insurance premiums and reduced wages and salaries (83–100% of the cost of employer-based health insurance are shifted to employees through reduced wages).²

Which is fairer then—for people with higher health care costs to make less “profit” than the healthy, or for people with little or no health care costs to lose income as a consequence of paying for someone else’s health care through inflated insurance premiums and reduced wages and salaries?

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