

RE: Grave Concerns of Impacts of High Deductible Health Plan

May 8, 2019

I'm writing to express my substantial concerns related to the health outcomes and fiscal impacts of Employee Trust Fund's (ETF) and the Group Insurance Board's (GIB) High Deductible Health Plan (HDHP). State law requires GIB to offer a HDHP for eligible employees. However, statute provides little direction in how GIB designs, offers, educates or evaluates the plan. Within State and Federal law, GIB has substantial authority to study, design and enact a HDHP that minimizes financial risk to the state and improves health outcomes. However, I fear that GIB has neglected to adequately study the implementation and ongoing impacts of the HDHP and educate eligible employees of the risks of enrolling in a HDHP, resulting in significant financial risk to the state and serious negative impacts to health outcomes.

I urge the Board to:

- 1. Immediately remove HDHP as an option considered by the ALEX online tool for the upcoming It's Your Choice period, and**
- 2. Immediately conduct a comprehensive analysis of benefits and costs to the state associated with implementation of the HDHP.**

ETF and GIB have a statutory responsibility to offer a HDHP, but also have a fiscal and moral responsibility when enacting the law. Suspending the HDHP recommendation from the ALEX tool and conducting a comprehensive assessment of the benefits and costs of HDHP is an important, and immediate need.

Please consider the additional information below and I look forward to the Board taking up a discussion on these critical issues.

**Eligible employees struggle to meet high deductibles.**

Famously, in 2016 the Federal Reserve found that nearly half of Americans would be unable to come up with \$400 in an emergency without borrowing the funds or selling something. This is incredible. Further, the recent study by UW-Madison exploring "How Well are Families Prepared for a World of High Deductibles?" is revealing and alarming. In the survey a significant portion of existing HDHP participants admit they "could not find \$2,000 for an unexpected expense within 30 days"! So, how would existing enrollees in HDHPs pay major out-of-pocket cost? The survey finds they simply "did not get needed healthcare". This is alarming and requires immediate attention from ETF and GIB.

Public employee pay and total compensation packages were already low in comparison to private-sector counterparts, and has stagnated as cost of living expenses increase in recent years. This is not a fact ETF and GIB can ignore in the context of the HDHP. Even deductibles for the "fully-insured" HMO plans are difficult for some individuals and families to afford, as seen by the recent UW-Madison survey. ETF and GIB must acknowledge and address the fact that these massive (and even "small") deductibles are difficult or impossible for the vast majority of eligible employees to afford, and should carefully consider this fact in promoting and offering the HDHP.

### **HDHP's worsen health outcomes.**

Research continues to show that individuals and families enrolled in HDHPs delay or avoid medical treatment due to the high deductible or confusion over benefits. Indeed, a recent article an analysis of HDHP impact on breast cancer diagnosis and treatment published in Health Affairs concluded that compared to a sample of women in low-deductible plans, “[l]ow-income women in HDHPs experienced relative delays of 1.6 months to first breast imaging, 2.7 months to first biopsy, 6.6 months to incident early-stage breast cancer diagnosis, and 8.7 months to first chemotherapy.” High-income women had similar results. The study’s authors conclude these scary results are due to the nature of the health plan design and especially the high deductible.

<https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2018.05026>. This is incredibly troubling news, as it is well-known that early detection and treatment of breast cancer can result in lower complications and mortality. Unfortunately, several other studies find similar results with different health treatments and populations. The verdict is in - HDHPs directly worsen health outcomes.

### **HDHP's drive up total health care spending.**

Although some research suggests that HDHPs reduce total health care spending in the short term, it is almost exclusively due to healthy people forgoing unnecessary outpatient procedures or sick people opting out or delaying necessary procedures. This raises serious concerns about both the design of HDHP and the design of fully-insured HMO plans. There’s no evidence that consumers with a HDHP “shop-around” for the best value health care or even question the cost of procedures and treatment before making health care decisions. See

<https://www.sciencedaily.com/releases/2016/01/160119135558.htm>

Additionally, research from the University of Southern California Schaeffer Center for Health Policy and Economics continues to lift the veil on unfulfilled promises of HDHP promoters. The truth is that HDHP short-term savings result in long-term costs. <https://healthpolicy.usc.edu/research/are-high-deductible-plans-a-healthy-option-for-patients/>

Wisconsin’s Legislative Fiscal Bureau warned the Governor and Joint Finance Committee of this very concern in paper #257 published May 21, 2013. Indeed, they also cite an analysis of earlier, similar legislation from 2006 that “noted that ETF estimated that the provisions under SB 131 and AB 341 would result in additional state costs of approximately \$32.0 million (all funds) annually.”

ETF and GIB must analyze and report the financial cost or benefit that the HDHP has had on the state and on the fully-insured HMO premiums.

### **GIB and ETF are not doing enough to educate members about the risks of enrolling in a HDHP.**

The joint ETF-OCER study published on October 31, 2011 noted that “[t]o effectively implement a ‘consumer-driven’ model, it is imperative that employees have access to reliable, meaningful information about cost, quality of care, effectiveness and efficiency of health-care services and providers.” ETF has been unable to clearly communicate and educate members on the complicated nature of high deductible health plans as evidenced by significant confusion from eligible employees. The report from UW-Madison only makes this too clear, and it is damning in the case of HDHPs.

Employees, personnel managers and supervisors have had significant concerns and questions regarding HDHP since it was first offered, and the UW-Madison study shows those concerns and questions remain.

ETF's website and IYC periods offer a significant amount of information about a wide variety of information. October is a busy time for ETF and employees as they consider a huge amount of information regarding benefits enrollment. This only increases the importance that ETF and GIB offer clear and correct information about the HDHP and encourage employees to carefully consider the significant risks. The website and IYC periods do not do enough to alert employees of the considerable risks of enrolling in a HDHP. Indeed, while ETF materials cite the increased deductibles, little else is discussed regarding how employees should consider drastic increased out of pocket expenses, or adequately warn employees that significant, unplanned medical expenses can result in paying 100% of the cost of services until the very high deductible is met. ETF and GIB must include warnings and cautions with HDHP educational information, rather than just providing information to suggest the HDHP is just another full-insured HMO plan. HDHPs are to protect against catastrophic expenses, and little more. Research is showing they don't even do that.

### **Recommendations:**

ETF and GIB should:

- 1. Immediately remove HDHP as an option considered by the ALEX online tool for the upcoming It's Your Choice period.**

While ETF and GIB are required to offer a HDHP by law, they are not required to aggressively market it. Considering a HDHP requires significant understanding of an individual's and/or family's financial situation, health care spending and future health conditions. The ALEX tool cannot be used to gather or assess this information in a meaningful way. A recommendation from the ALEX tool to enroll in a HDHP would then be based on insufficient information, significantly raising the possibility that the recommendation to enroll in a HDHP is not appropriate. This risk is significant enough to warrant the removal of HDHP's from considering of the ALEX online tool.

- 2. Immediately conduct a comprehensive analysis of benefits and costs to the state associated with implementation of the HDHP.**

LFB paper #257 published May 21, 2013 cited numerous reasons why the state may incur additional costs associated with implementing a HDHP, including "paying (a) a certain number of state employees who currently "opt-out" of health care coverage under the state plans would likely enroll in the HDHP in order to receive the state's HSA contribution; (b) HSA contributions become the property of the employee and any unused portion of these contributions at the end of each year would be retained by the employee; and (c) the adverse selection effect the establishment of the HDHP/HSA health care option could have any unused portion of the state HSA contributions becomes the property of the employee at the end of each year."

Additionally, LFB projected "[t]he HMO health care pool would...be deprived of [healthy] individuals who help keep average costs down. This may result in higher premium rates for the HMO plans, *cancelling and possibly exceeding the savings anticipated for offering the HDHP/HSA*

*option. The negative effect for the HMO insurance pool could progressively worsen over time.” [emphasis added].* ETF and GIB must immediately conduct a comprehensive analysis to bear out these grave concerns from LFB.

Personal communications with ETF staff in March of 2019 revealed that ETF and GIB were not currently contemplating further study regarding the HDHP. This is a serious omission in understanding how HDHPs are impacting state finances and employee’s health outcomes. I urge the Board to correct this glaring omission in study by immediately considering a comprehensive review of the HDHP.

In conclusion, it is imperative that ETF and GIB move quickly to address these serious concerns regarding the HDHP offered by the Board. Minimizing the negative consequences and reducing the number of eligible employees who choose a HDHP during It’s Your Choice 2020 without fully considering the risks should be of paramount importance.

ETF and GIB have a statutory responsibility to offer a HDHP, but also have a fiscal and moral responsibility when enacting the law. Suspending the HDHP recommendation from the ALEX tool and conducting a comprehensive assessment of the benefits and costs of HDHP is an important, and immediate need.

Thank you,

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