

HIGH-DEDUCTIBLE HEALTH INSURANCE IN KENTUCKY

Since implementation of the Affordable Care Act (ACA), there are 8.5 million fewer people without health insurance in the U.S., including approximately 250,000 people in Kentucky.¹ The ACA was designed to improve access to health care and reduce the financial risk to individuals who need health care. The law also was expected to reduce the financial burden on health care providers by reducing the uncompensated care they provide to the uninsured. Despite significant gains in coverage, concerns remain around the affordability of health care, especially for individuals enrolled in plans with high deductibles. Research has indicated that high deductibles may act as a barrier to accessing needed care and expose people to increased financial burdens. This brief examines issues related to deductibles, including a summary of research on the potential effects of high-deductible plans, and the size and prevalence of deductibles in Kentucky.

Deductibles

A health insurance deductible is the amount of money an individual or family must pay before their health insurance begins paying toward their health care bills. Because deductibles reduce the costs paid out by health insurance, larger deductibles can be used to reduce premium costs. As an example, the Commonwealth of Kentucky offers employees a high-deductible plan, \$1,750 single/ \$3,500 family, with lower monthly premiums (\$13 single/ \$300 family); and a lower-deductible plan, \$750 single/ \$1,500 family, with higher premiums (\$48 single/ \$338 family).²

The Internal Revenue Service sets yearly definitions of “high-deductible health plans” for tax purposes. For 2016, deductibles of at least \$1,300 for single and \$2,600 for family coverage are considered high-deductible plans. Because research related to high deductibles is not limited to the IRS definition, this brief examines the issue of high deductibles more generally.

Research on high deductibles

A commonly cited goal of high deductibles is to make consumers more cost-conscious by requiring them to pay more upfront for the services they use.³ Some research has corroborated this idea, finding that people in plans with high deductibles and other forms of cost-sharing use less health care, which is linked to reduced overall spending.^{4,5,6} Studies also have found that deductibles and other cost-sharing are linked to reduced use of health care services broadly, including the use of preventive care designed to keep people healthy and reduce long-term costs.^{4,5,7,8} As an example, a study of employer-sponsored insurance found that high-deductible plans were linked to 14% lower overall spending on health care but also decreases in preventive care (e.g., childhood immunizations, and breast, cervical and colorectal cancer screenings), despite these services being covered at no cost for most of the plans.⁵ Even though high deductibles may reduce overall health care spending, research finds that because

people with high deductibles are responsible for greater upfront costs when using care, they are at increased risk of financial burden, such as difficulty paying medical bills, compared to those with lower deductibles—especially for people with lower incomes and chronic conditions.^{9,10,11} For example, a study of families with chronic conditions found they were significantly more likely to report financial burden if they had a high-deductible plan.⁹ Another study of families enrolled in high-deductible plans found that lower-income families were significantly more likely than higher-income families to report delaying or avoiding health care due to cost.¹¹

High-deductible health plans in Kentucky

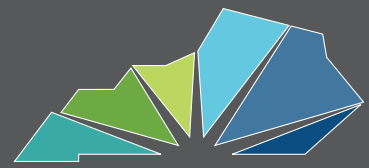
This brief examines deductibles in kynect, the Commonwealth’s health insurance marketplace, and employer-sponsored insurance (ESI) in Kentucky. While kynect offers both higher and lower deductible plans, most enrollees tend to buy those with higher deductibles. For example, 60% of kynect enrollees selected Silver plans for 2016, which have median deductibles of \$3,500 for single and \$7,000 for family coverage. However, with less than 100,000 enrollees for 2016, kynect is much smaller than Kentucky’s ESI market of more than 2.4 million. Deductibles in ESI tend to be lower than those in kynect, but they have been growing. Average ESI deductibles in Kentucky doubled between 2006-2014, and more than one-third of Kentucky workers were enrolled in high-deductible plans by 2014.

kynect

Health insurance sold through kynect and other marketplaces is classified by metal level (Bronze, Silver, Gold and Platinum), which corresponds to each plan’s actuarial value.¹² A review of plan offerings in kynect found that Bronze and Silver plans typically have higher deductibles than Gold plans. In 2016, Bronze plans offered through kynect had a median deductible of \$6,000 for single coverage, Silver plans had a median deductible of \$3,500, and Gold plans had a median deductible of \$1,000.^{13,14} A lower deductible, such as in Gold plans, typically is associated with larger monthly premiums. Enrollment data from kynect show that in 2016, 87% of enrollees selected either Bronze or Silver plans, which means most enrollees are choosing plans that tend to have higher deductibles. Although, it is important to consider that kynect’s approximately 94,000 enrollees for 2016 represents only 2% of Kentucky’s 4.4 million population, so the impact of high deductibles in kynect is likely smaller than in Kentucky’s ESI market, which covers more than half of the Commonwealth’s population.

Employer-sponsored insurance

More than 2.4 million people in Kentucky have health insurance through an employer (56.1% of Kentuckians in 2014). A majority of these employees with ESI are enrolled in plans with deductibles. Compared to the U.S., Kentucky had a higher percentage of workers enrolled in ESI plans with deductibles



in 2006 (90.0% vs. 66.4%)—a statistically significant difference. Between 2006 and 2014, the percentage of U.S. employees with deductibles has increased significantly to 83.9%, but Kentucky's has remained statistically stable at 90.3%. In 2014, there was no significant difference in the percentage of employees with deductibles between the U.S. and Kentucky.

In both Kentucky and the U.S., the size of ESI deductibles has grown significantly. From 2006 to 2014, average deductibles more than doubled in Kentucky, to \$1,373 for single and \$2,738 for family coverage in 2014. The percentage of employees in Kentucky and the U.S. who have plans considered "high-deductible" by IRS definitions also has increased significantly since 2006. In 2014, 38.6% of Kentucky workers were enrolled in plans with high deductibles, nearly 6 times more than in 2006. This is consistent with other research, which has found increases in plans with high deductibles since 2003 legislation provided tax advantages to health savings accounts that are paired with high deductibles.^{10,15}

Conclusions

In Kentucky and nationally, data suggest that high deductibles are playing an increasing role in the health insurance landscape. Similar to the U.S., a majority of kynect enrollees have selected Bronze and Silver plans, which tend to have higher deductibles. It will be important to continue to monitor enrollment in plans with high deductibles and whether this increases over time.

While kynect's health insurance market is important from a policy perspective, many more Kentuckians are covered by ESI. For the more than 2.4 million Kentuckians enrolled in ESI, there are clear trends towards plans with higher deductibles. While the prevalence of employee enrollment in plans with deductibles has remained statistically stable in Kentucky since 2006, the size of those deductibles has more than doubled. As of 2014, more than a third of workers with ESI in Kentucky were enrolled in plans considered "high-deductible" by IRS definitions—nearly 6 times higher than in 2006.

In addition to tracking whether enrollment in high-deductible plans continues to grow in Kentucky, it also will be important to monitor the impacts of these plans. For example, because research has found that high deductibles are associated with reduced use of health care and increased risk of financial burden, future studies could examine whether Kentuckians with high deductibles report greater financial barriers to care and whether hospitals and other providers experience increased bad debt from insured individuals who are unable to afford medical bills. Because research suggests that barriers to care and financial hardship may be more pronounced for people with lower incomes and chronic conditions, future studies also could investigate the effects of high deductibles for these groups in Kentucky.

1 SHADAC Data Center. Available at: <http://datacenter.shadac.org/Bulk#1,19/source/1/rate/236>

2 The example premiums represent employee contributions for non-tobacco users enrolled in the Commonwealth's single and family coverage options (not the couple or parent-plus options), without enrollment in the Livingwell wellness program. Enrollment in the Livingwell program increases beneficiaries' premiums but reduces their deductibles for both the higher and lower deductible plans. More information is available at <https://personnel.ky.gov/Pages/healthinsurance.aspx>.

3 Buntin, M. B., Damberg, C., Haviland, A., Kapur, K., Lurie, N., McDevitt, R., & Marquis, M. S. "Consumer-Directed Health Care: Early Evidence about Effects on Cost and Quality." *Health Affairs*. 2006; 25(6), w516-w530. Available at: <http://content.healthaffairs.org/content/25/6/w516.full>

4 RAND. "The Health Insurance Experiment: A Classic RAND Study Speaks to the Current Health Care Reform Debate." 2006. Available at: http://www.rand.org/content/dam/rand/pubs/research_briefs/2006/RAND_RB9174.pdf

5 Beeuwkes, B. M., Haviland, A. M., McDevitt, R., & Sood, N. "Healthcare Spending and Preventive Care in High-deductible and Consumer-directed Health Plans." *The American Journal of Managed Care*. 2011; 17(3), 222-230. Available at: http://www.ajmc.com/journals/issue/2011/2011-3-vol17-n3/ajmc_11mar_buntin_222to230

6 RAND. "Analysis of High Deductible Health Plans." Available at: http://www.rand.org/pubs/technical_reports/TR562z4/analysis-of-high-deductible-health-plans.html

7 RAND. "The Health Insurance Experiment: A Classic RAND Study Speaks to the Current Health Care Reform Debate." 2006. Available at: http://www.rand.org/content/dam/rand/pubs/research_briefs/2006/RAND_RB9174.pdf

8 Dixon, A., Greene, J., & Hibbard, J. "Do Consumer-Directed Health Plans Drive Change in Enrollees' Health Care Behavior?" *Health Affairs*. 2008; 27(4), 1120-1131. Available at: <http://content.healthaffairs.org/content/27/4/1120.full.pdf+html>

9 Galbraith, A. A., Ross-Degnan, D., Soumerai, S. B., Rosenthal, M. B., Gay, C., & Lieu, T. A. "Nearly Half of Families in High-deductible Health Plans Whose Members Have Chronic Conditions Face Substantial Financial Burden." *Health Affairs*. 2011; 30(2), 322-331. Available at: <http://content.healthaffairs.org/content/30/2/322.long>

10 Davis, K., Doty, M., and Ho, A. "How High is Too High? Implications of High-Deductible Health Plans." *The Commonwealth Fund*. 2005. Available at: http://www.commonwealthfund.org/~media/files/publications/fund-report/2005/apr/how-high-is-too-high-implications-of-high-deductible-health-plans/816_davis_how_high_is_too_high_impl_hdhs-pdf.pdf

11 Kullgren, J. T., et al. "Health Care Use and Decision Making among Lower-income Families in High-deductible Health Plans." *Archives of Internal Medicine*. 2010; 170(21), 1918-1925. Available at: <http://archinte.jamanetwork.com/article.aspx?articleID=226261>

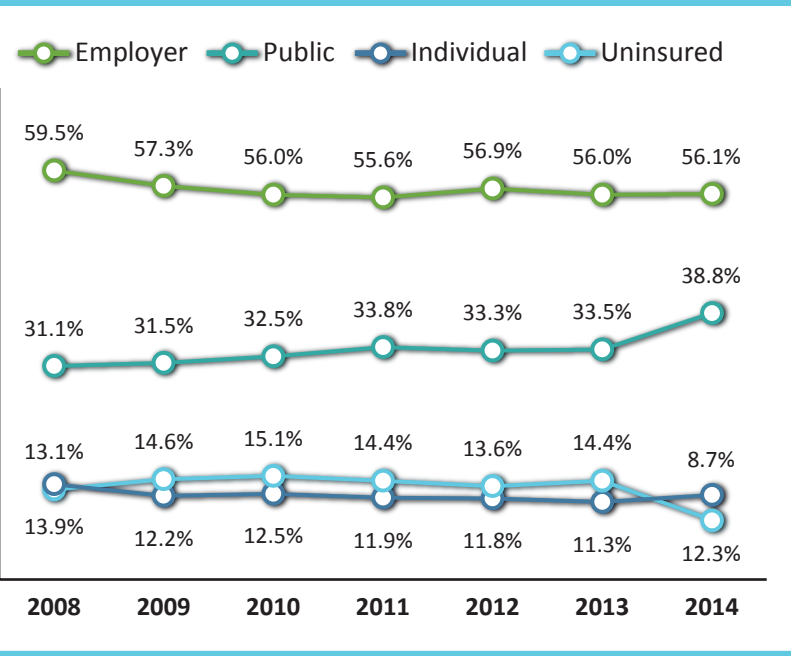
12 Healthcare.gov. "The 'Metal' Categories: Bronze, Silver, Gold & Platinum." Available at: <https://www.healthcare.gov/choose-a-plan/plans-categories/>

13 These are median deductibles by metal level for plans offered through kynect, not necessarily the specific plans that people have purchased. Because the data weren't available, we could not estimate the average deductibles for metal-level by plan enrollment. These median deductibles represent coverage for a single 27-year-old.

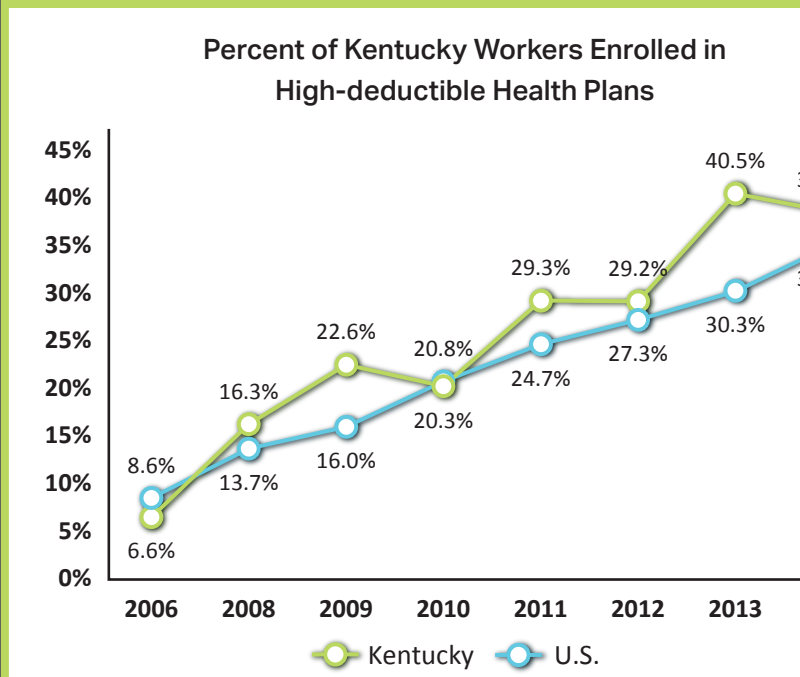
14 While 60% of kynect enrollees selected Silver plans, which typically have higher deductibles, it is important to note that some of these enrollees would be eligible for cost-sharing subsidies that could effectively reduce the size of their deductibles.

15 Forthcoming: Lukanen, E., Schwehr, N., and Fried, B., 2016. "State-Level Trends in Employer-Sponsored Health Insurance, 2016." Minneapolis, MN: State Health Access Data Assistance Center. To be accessible at: <http://www.shadac.org/2016ESIReport>.

HEALTH INSURANCE IN KENTUCKY BY COVERAGE TYPE



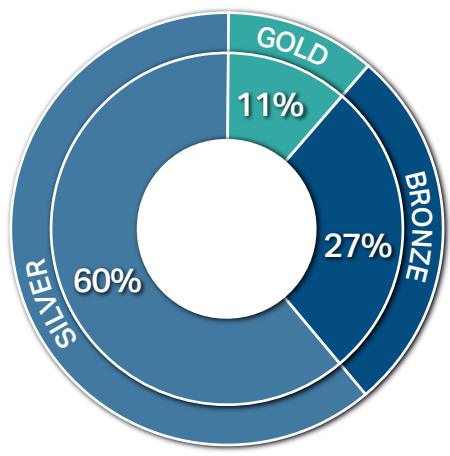
DEDUCTIBLES IN KENTUCKY EMPLOYER-SPONSORED INSURANCE



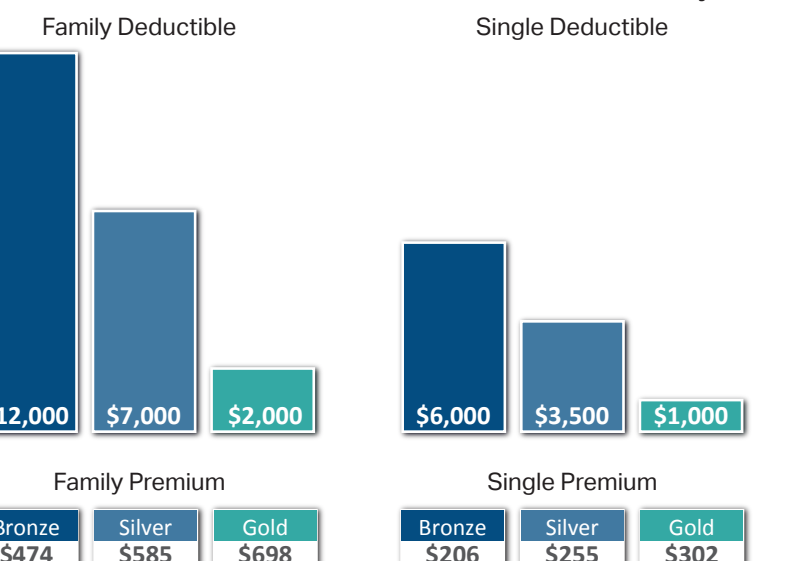
KYNECT PLAN SELECTIONS AND DEDUCTIBLES BY METAL LEVEL

NET ENROLLMENT FOR OEP3 = 93,666

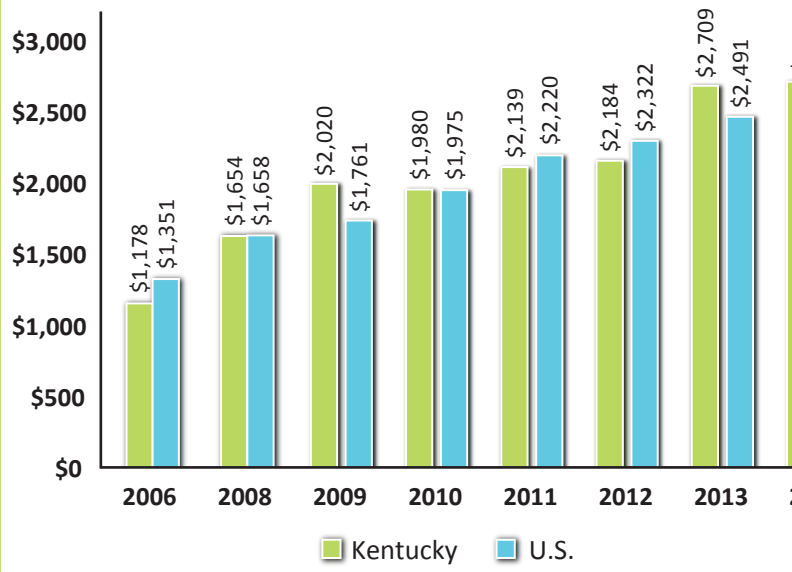
kynect Plan Selection by Metal Level



Family Deductibles and Premiums for All Plans Offered in kynect



Average Deductibles for Family Coverage in Kentucky



Percent of Kentucky Workers Enrolled in Plans with Deductibles

