



Maryland
INSURANCE ADMINISTRATION

**Maryland Insurance Administration Briefing
High Deductible Health Plans (HDHPs)
Health and Government Operations Committee
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High Deductible Health Plans (“HDHPs”)

- » Defined in 26 U.S. Code § 223 as a health plan with:
 - An annual deductible not less than the minimum amount set by the IRS each year; and
 - A limit on total annual out-of-pocket expenses for covered benefits that does not exceed the maximum amount set by the IRS each year.
- » For calendar year 2024, the minimum deductible amount is \$1,600 for an individual and \$3,200 for a family, while the maximum out-of-pocket limitation is \$8,050 for an individual and \$16,100 for a family.
- » Generally, under federal law, an HDHP may not provide benefits in any year until the minimum deductible for that year is satisfied.
- » Federal law provides a safe harbor that allows benefits for preventive care to be paid before the deductible is satisfied. Federal law and associated guidance define “preventive care,” and the federal definition preempts any conflicting definition under state law.

History of HDHPs and CDHPs

- » Consumer-Directed Health Plans (CDHPs): designed to leverage pretax spending accounts and high deductibles to increase consumer accountability for health care spending.
- » Health spending accounts: funded by employee/employer contributions – amounts may be withdrawn to pay for qualifying medical expenses (e.g. deductible) on a tax-preferential basis.
- » HDHPs predate the ACA by a decade: the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 created Health Savings Accounts (“HSAs”), and provided that an individual must be enrolled in an HDHP to be eligible to establish an HSA.
- » HSAs have many advantages over other tax-exempt/tax-deferred health spending accounts such as HRAs, FSAs, and MSAs.

Advantages of HSAs

- » Can be funded by a combination of employee and employer contributions
- » Employee contributions are tax-exempt, interest earned on account balance is tax-free, and withdrawals to pay qualifying medical expenses are tax-free
- » Fund is owned by the individual, so it is fully portable
- » Amounts contributed to an HSA are carried over year to year
- » Can be used as a retirement savings vehicle – 20% penalty for non-medical account withdrawals ceases at age 65
- » Upon enrollment in Medicare, funds can be used to pay Medicare premiums and other qualifying medical expenses tax-free

Pros and Cons of HDHPs

- » Pros:
 - » Lower premiums than traditional insurance plans
 - » Very attractive to healthy individuals with no pre-existing health conditions or anticipated future health care needs
 - » May also be cost-effective for certain individuals with serious illnesses who know they will reach the annual out-of-pocket limit
 - » Generous tax benefits when paired with an HSA
 - » Very attractive to individuals with sufficient funds to contribute to the HSA
 - » Many large employers provide additional contributions to an HSA on behalf of employees
 - » Lower out-of-pocket maximum (\$8,050/\$16,100) than maximum annual limitation on cost-sharing allowed under the ACA for non-HDHPs (\$9,450/\$18,900)

Pros and Cons of HDHPs (Cont.)

» Cons:

- » High deductible may encourage some consumers to forgo or delay necessary medical care
- » Very few pre-deductible covered expenses
- » Not ideal for individuals with chronic illnesses or those with anticipated costly medical expenses who are unable to fund an HSA
- » No requirement for an individual with an HDHP to establish or fund an HSA
- » Some consumers, particularly employees of small employers, may be compelled to purchase a HDHP due to a lack of alternative plan options

State and Federal Actions Related to HDHPs

- » Federal tax guidelines for HDHPs preempt conflicting state requirements
- » State actions impacting HDHPs
 - » Copay accumulator laws
 - » First dollar coverage mandates for non-preventive care
 - » State definitions of preventive care
- » Recent federal expansion of permissible first-dollar benefits under HDHPs
 - » Management of certain chronic conditions
 - » Temporary safe harbor for COVID-19 testing and treatment
 - » Temporary safe harbor for telehealth
 - » Special rule for surprise billing
 - » Safe harbor for insulin products

HDHPs in the ACA Market

- » All ACA plans in Individual and Small Group markets must fit into one of four metal levels
 - » Defined by Actuarial Value: The % of claims the insurance company is expected to pay
 - » Bronze = 60%, Silver = 70%, Gold = 80%, Platinum = 90%
 - » De minimis variation permitted. +/- 2% was original de minimis range for all metals
- » HDHP and metal level
 - » Impossible to design a platinum HDHP
 - » Gold HDHPs are possible but require deductible close to minimum and low out-of-pocket max (OOP Max). Only sold by carriers in small group, not Individual
 - » Silver is good fit for HDHPs. Deductibles from \$1,600 to \$4,000. Sold in both markets; most popular HDHP in SG
 - » HDHPS were too generous for original bronze range because of the lower OOP Max. Range was expanded to be +5% for HDHPS or plans that exclude one major service category from deductible
 - » Bronze HDHPS sold in both markets; most popular HDHP in IND

HDHPs vs Value Plans in Individual Market

- » HDHPs were intended to reduce utilization for inefficient and unnecessary services
 - » Theory was if consumer has “skin in the game” by having to pay deductible, would avoid unnecessary services
 - » Actual experience has shown that HDHPs DO reduce utilization. But consumers are avoiding medically necessary “high value” services in addition to the wasteful ones that were targeted.
 - » High value services like generic drugs or PCP visits can lead to both lower total cost/better outcomes for those with chronic conditions that can be well controlled like diabetes or high blood pressure or high cholesterol.
- » Value Plans
 - » Value-Based Insurance Design (V-BID) seeks to remove cost-sharing barriers from high value services
 - » The MHBE Value plans follow these principles. Have been evolving since 2019; as of 2024 will be standardized.
 - » PCP visits, MHSA visits, generic drugs, urgent care, lab tests, X-rays, PT/ST/OT identified as high value services
 - » Value plans do not subject these high value services to the deductible (copays are instead applied from day 1)

HDHPs Individual Market Data

| Individual ACA Market | | | | | | | | | | | |
|-----------------------------|---------------|----------------|----------------|----------|--------|---------------------|----------------|----------------|----------------|---------------|--------------|
| Plan Year 2023 Distribution | | | | | | | | | | | |
| | | | | % Enroll | Enroll | | | | | % Enroll | Enroll |
| | 4/1/2023 | Avg | Avg | w/in | Total | | 4/1/2023 | Avg | Avg | w/in | Total |
| | Enroll | Deductible* | MOOP | Metal | Market | | Enroll | Deductible* | MOOP | Metal | Market |
| Catastroph | 4,022 | \$9,100 | \$9,100 | 100% | 1.7% | | | | | | |
| | | | | | | Gold | | | | | |
| Bronze | | | | | | Value | 41,462 | \$774 | \$6,910 | 36.6% | 17.9% |
| HDHP | 13,993 | \$6,405 | \$6,903 | 26.0% | 6.0% | Other | 71,771 | \$1,883 | \$6,771 | 63.4% | 30.9% |
| Value | 22,379 | \$6,367 | \$8,839 | 41.6% | 9.6% | Total | 113,233 | \$1,477 | \$6,822 | 100.0% | 48.8% |
| Other | 17,401 | \$8,077 | \$8,457 | 32.4% | 7.5% | | | | | | |
| Total | 53,773 | \$6,930 | \$8,212 | 100.0% | 23.2% | Platinum | 4,927 | \$0 | \$3,900 | 100% | 2.1% |
| | | | | | | | | | | | |
| Silver | | | | | | Total Market | 232,161 | \$3,404 | \$7,507 | | 100.0% |
| HDHP | 2,366 | \$3,200 | \$6,650 | 4.2% | 1.0% | | | | | | |
| Value | 25,180 | \$3,050 | \$8,625 | 44.8% | 10.8% | | | | | | |
| Other | 28,660 | \$4,512 | \$8,376 | 51.0% | 12.3% | | | | | | |
| Total | 56,206 | \$3,802 | \$8,415 | 100.0% | 24.2% | | | | | | |

*For plans with non-integrated medical and drug deductibles, sum of the two separate deductibles was used.

HDHPs vs ACA OOP Maximums

| | HDHP MOOP | Annual Increase (\$) | Annual Increase (%) | ACA MOOP (Non-CSR) | Annual Increase (\$) | Annual Increase (%) | ACA MOOP (200-250% CSR) | Annual Increase (\$) | Annual Increase (%) | ACA MOOP (100-200% CSR) | Annual Increase (\$) | Annual Increase (%) |
|------|----------------------|-------------------------|---------------------------|-----------------------------------|----------------------------|---------------------------|--|----------------------------|---------------------------|--|----------------------------|---------------------------|
| 2014 | \$ 6,350 | \$ 100 | 1.6% | \$ 6,350 | | | \$ 5,200 | | | \$ 2,250 | | |
| 2015 | \$ 6,450 | \$ 100 | 1.6% | \$ 6,600 | \$ 250 | 3.9% | \$ 5,200 | \$ - | 0.0% | \$ 2,250 | \$ - | 0.0% |
| 2016 | \$ 6,550 | \$ 100 | 1.6% | \$ 6,850 | \$ 250 | 3.8% | \$ 5,450 | \$ 250 | 4.8% | \$ 2,250 | \$ - | 0.0% |
| 2017 | \$ 6,550 | \$ - | 0.0% | \$ 7,150 | \$ 300 | 4.4% | \$ 5,700 | \$ 250 | 4.6% | \$ 2,350 | \$ 100 | 4.4% |
| 2018 | \$ 6,650 | \$ 100 | 1.5% | \$ 7,350 | \$ 200 | 2.8% | \$ 5,850 | \$ 150 | 2.6% | \$ 2,450 | \$ 100 | 4.3% |
| 2019 | \$ 6,750 | \$ 100 | 1.5% | \$ 7,900 | \$ 550 | 7.5% | \$ 6,300 | \$ 450 | 7.7% | \$ 2,600 | \$ 150 | 6.1% |
| 2020 | \$ 6,900 | \$ 150 | 2.2% | \$ 8,150 | \$ 250 | 3.2% | \$ 6,550 | \$ 250 | 4.0% | \$ 2,700 | \$ 100 | 3.8% |
| 2021 | \$ 7,000 | \$ 100 | 1.4% | \$ 8,550 | \$ 400 | 4.9% | \$ 6,800 | \$ 250 | 3.8% | \$ 2,850 | \$ 150 | 5.6% |
| 2022 | \$ 7,050 | \$ 50 | 0.7% | \$ 8,700 | \$ 150 | 1.8% | \$ 6,950 | \$ 150 | 2.2% | \$ 2,900 | \$ 50 | 1.8% |
| 2023 | \$ 7,500 | \$ 450 | 6.4% | \$ 9,100 | \$ 400 | 4.6% | \$ 7,250 | \$ 300 | 4.3% | \$ 3,000 | \$ 100 | 3.4% |
| 2024 | \$ 8,050 | \$ 550 | 7.3% | \$ 9,450 | \$ 350 | 3.8% | \$ 7,550 | \$ 300 | 4.1% | \$ 3,150 | \$ 150 | 5.0% |

% Of Individuals Hitting OOP Max (Individual ACA)

Self-Only MOOP by metal level

| % of Self-Only Members reaching their MOOP by Metal Level | | | | | | | |
|---|----------|-----------------|----------|-----------------|----------|-----------------|----------------|
| Metal Level | 2019 | | 2020 | | 2021 | | 3-Year Average |
| | Ave MOOP | % Reaching MOOP | Ave MOOP | % Reaching MOOP | Ave MOOP | % Reaching MOOP | |
| Catastrophic | \$ 7,900 | 0.1% | \$ 8,150 | 0.4% | \$ 8,550 | 0.4% | 0.3% |
| Bronze | \$ 7,387 | 5.2% | \$ 7,502 | 4.6% | \$ 7,941 | 4.8% | 4.9% |
| Silver: Base | \$ 6,992 | 3.3% | \$ 7,869 | 3.0% | \$ 7,967 | 3.6% | 3.3% |
| Silver: 73% CSR | \$ 6,279 | 1.4% | \$ 6,484 | 3.1% | \$ 6,450 | 3.5% | 2.7% |
| Silver: 87% CSR & 94% CSR | \$ 2,096 | 3.0% | \$ 2,056 | 3.5% | \$ 2,052 | 4.3% | 3.6% |
| Gold | \$ 6,704 | 2.1% | \$ 6,703 | 1.9% | \$ 6,812 | 2.2% | 2.1% |
| Platinum | \$ 4,000 | 0.5% | \$ 4,000 | 0.6% | \$ 4,000 | 0.8% | 0.6% |

% Of Families Hitting OOP Max (Individual ACA)

Family MOOP by Metal Level

| % of Family Contracts reaching their MOOP by Metal Level | | | | | | | |
|--|-----------|-----------------|----------|---------------|-----------|-----------------|-----------------|
| | 2019 | | 2020 | | 2021 | | 3-Year Average |
| Metal Level | Ave MOOP | % Reaching MOOP | Ave MOOP | Reac hing MOO | Ave MOOP | % Reaching MOOP | % Reaching MOOP |
| Catastrophic | \$ 15,800 | 0.0% | \$16,300 | 0.0% | \$ 17,100 | 0.5% | 0.2% |
| Bronze | \$ 14,998 | 0.1% | \$15,044 | 0.9% | \$ 15,771 | 1.1% | 0.7% |
| Silver: Base | \$ 13,912 | 0.0% | \$15,764 | 0.3% | \$ 15,904 | 0.6% | 0.3% |
| Silver: 73% CSR | \$ 12,574 | 0.1% | \$12,973 | 1.1% | \$ 12,903 | 0.9% | 0.7% |
| Silver: 87% CSR & 94% CSR | \$ 4,314 | 0.3% | \$ 4,213 | 0.4% | \$ 4,172 | 1.0% | 0.5% |
| Gold | \$ 13,415 | 0.0% | \$13,409 | 0.1% | \$ 13,488 | 0.2% | 0.1% |
| Platinum | \$ 8,014 | 0.0% | \$ 8,013 | 0.2% | \$ 8,000 | 0.0% | 0.1% |

Total Out-of-Pocket Example

| | | | |
|---|---------------------|------------------------|-----------------------------|
| CareFirst Bronze premiums for 2023 | | | |
| Age 40 year old | | | |
| Earning \$55k or more and ineligible for APTC | | | |
| Low, Mid and High Claims Cost | | | |
| | | | |
| Age 40 Year old | | | |
| No claims | Premium (Annual) | Annual Cost-sharing | Total Annual Member Cost |
| Bronze \$8,250 | \$ 3,136 | \$0 | \$ 3,136 |
| Bronze Value | \$ 3,185 | \$0 | \$ 3,185 |
| Bronze HDHP | \$ 3,290 | \$0 | \$ 3,290 |
| | | | |
| Age 40 Year old | | | |
| \$5k in claims | Premium (Annual) | Annual Cost-sharing | Total Annual Member Cost |
| Bronze \$8,250 | \$ 3,136 | \$5,000 | \$ 8,136 |
| Bronze Value | \$ 3,185 | \$2,750 | \$ 5,935 |
| Bronze HDHP | \$ 3,290 | \$5,000 | \$ 8,290 |
| | | | |
| Age 40 Year old | | | |
| \$25k in claims | Premium (Annual) | Annual Cost-sharing | Total Annual Member Cost |
| Bronze \$8,250 | \$ 3,136 | \$8,250 | \$ 11,386 |
| Bronze Value | \$ 3,185 | \$8,800 | \$ 11,985 |
| Bronze HDHP | \$ 3,290 | \$6,900 | \$ 10,190 |

HDHPs Small Group Market Enroll

| Small Group | | | |
|--|------------------|-------------|--------------|
| Plan Year 2023 Distribution (excluding United) | | | |
| | | % w/in | % of |
| | Total Enrollment | Metal Level | Total Market |
| Bronze | | | |
| H.S.A | 9,890 | 81.2% | 4.8% |
| Non- H.S.A | 2,297 | 18.8% | 1.1% |
| Total | 12,187 | 100.0% | 5.9% |
| Silver | | | |
| H.S.A | 106,179 | 92.0% | 51.3% |
| Non-H.S.A | 9,185 | 8.0% | 4.4% |
| Total | 115,364 | 100.0% | 55.8% |
| Gold | | | |
| H.S.A | 10,490 | 18.7% | 5.1% |
| Non-H.S.A | 45,643 | 81.3% | 22.1% |
| Total | 56,133 | 100.0% | 27.1% |
| Platinum | | | |
| | 23,110 | 100.0% | 11.2% |
| Total (excl United) | 206,794 | | 100% |
| HSA Subtotal | 126,559 | | 61% |

HDHPs Small Group Market Cost-Sharing

Not Comparable to Individual data

Individual data is 2023 plan year, SG is 2018.

SG 2023 deductibles/OOP maxes much higher.

| Small Group Ave Cost-sharing | | |
|------------------------------|----------------|----------------|
| 2018 Plan Year | | |
| HSA vs non-HSA | | |
| | Avg | Avg |
| | Deductible | MOOP |
| Bronze | | |
| H.S.A | \$5,892 | \$6,550 |
| Non-H.S.A | \$5,796 | \$7,216 |
| Total | \$5,877 | \$6,653 |
| | | |
| Silver | | |
| H.S.A | \$1,859 | \$5,536 |
| Non-H.S.A | \$3,032 | \$7,138 |
| Total | \$1,932 | \$5,637 |
| | | |
| Gold | | |
| H.S.A | \$1,439 | \$3,315 |
| Non-H.S.A | \$932 | \$5,508 |
| Total | \$1,001 | \$5,211 |
| | | |
| Platinum | \$179 | \$1,553 |



Questions?

