

Fact sheet - July 2009

The latest ground-breaking study from UnitedHealthcare is among the first to examine the impact of plans eligible for Health Savings Accounts (HSA) on health care costs and utilization among both Large and Small employers in Option and Full-Replacement (FR) environments. And this analysis is consistent with past study findings – **Consumer-Driven Health Plans have lower and slower costs in total when compared to traditional plans, even after adjusting for health status, demographics and other factors.**

UnitedHealthcare's pre/post analysis of HSA plans: effects on cost and utilization for small and large employers (2005-2007)

This study shows:

- The positive impact of HSA plans continued through the second year of enrollment. This is important, because some first-year differences in cost and use may have been attributable to a redistribution of elective care services as employees rush to get care in the baseline year before an anticipated change in their benefits. This dynamic typically levels out in year 2 for a better view of consumer decision-making.
- HSA groups showed greater declines in hospital admissions and ER visits, while the number of prescriptions increased over time in the HSA groups. At the same time, pharmacy costs decreased in the HSA population. This suggests that HSA members are making more prudent health care choices, such as using lower-cost drugs. Further analysis is needed to confirm this hypothesis.
- Full-replacement strategies appear to deepen the impact of HSA plans. In this analysis, we compared cost and use across the employers' full populations (including traditional plan enrollees when the HSA was offered as an option). Employers adopting a full-replacement HSA had better cost results in both medical and pharmacy than employers offering an HSA option.
- The utilization analysis suggests that Large FR employers realize lower costs due to a decrease in ER visits, lab services, and hospital admissions. This highlights the possibility that FR members are more appropriately using these services. Although total costs are not different among Small employers, FR shows some different utilization patterns in terms of ER and hospital use that could be investigated further.

These study results are consistent with other cross-sectional studies done by UnitedHealthcare on consumer-driven health plans*. Compared to more traditional plans, Health Savings Accounts, especially those with a full-replacement strategy, have great potential to slow the growth in health care costs, even after adjusting for the better health found among those with an HSA. This study also confirms that we see a favorable impact for smaller companies.

* Definity CDHP vs. UnitedHealthcare PPO, 2003–2007

* DefinitySM Health Savings Account Data Analysis, 2006

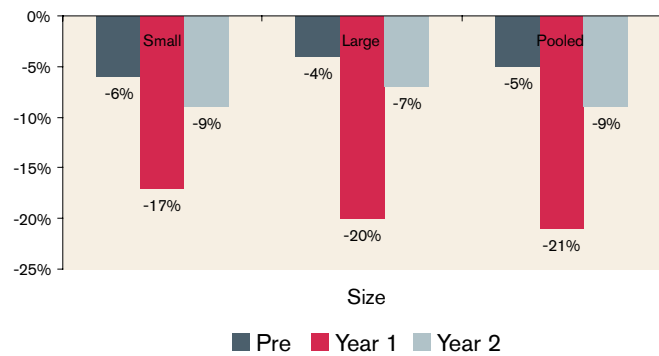


The positive results - Health Savings Account vs. Traditional

Health care costs

- After adjusting for differences in member characteristics, HSA plans delivered lower costs and utilization than more traditional plans.
- Annual total allowed costs incurred by HSA members were lower in all three years compared to traditional plan members. The level of savings was similar for Small and Large employers. The difference was largest in Year 1 because HSA enrollees had slower growth.

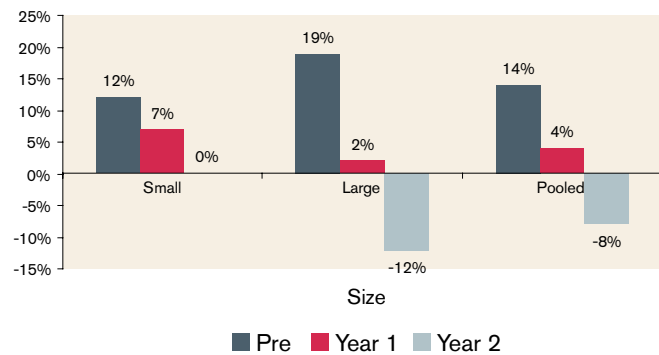
Differences in total expenditures by year and employer size



Health care utilization

- As with costs, greater declines were seen for HSA enrollees in Year 1 compared to Year 2.
- At the end of two years, slower growth was seen in hospital and ER visits; however prescriptions use increased for both Small and Large employers.

Differences in hospital admissions by year and employer size

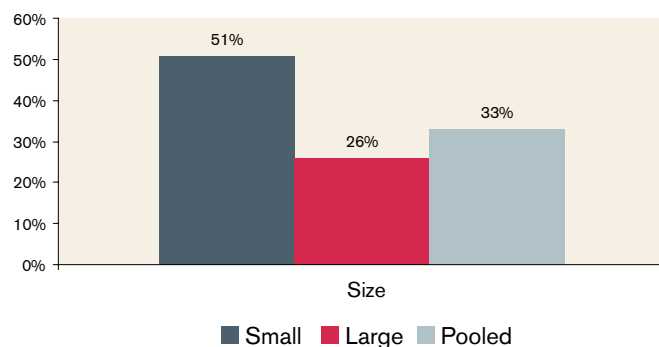


HSA full-replacement (FR) vs. HSA Option

HSA Adoption Rates for 'Option'

- Our Option data reflects results across the entire population when an HSA is offered as an option for employees at enrollment (i.e., the Option data combines both HSAs and traditional options).
- Adoption rates matter. About 51 percent of Option members chose an HSA among Small employers compared to 26 percent among Large employers..

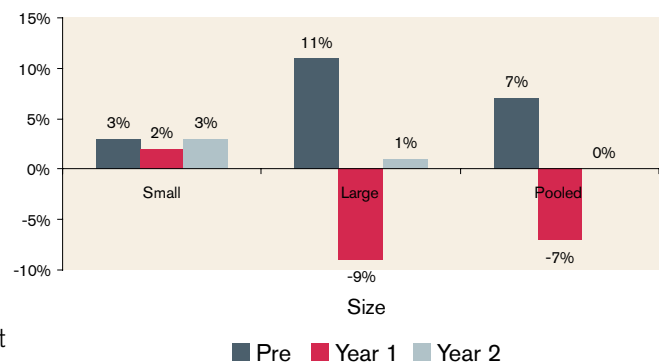
Percentage selecting HSA when offered option by employer size



Health care costs

- Going Full-Replacement shows a greater impact on costs
- Slower growth was seen in both pharmacy and medical expenditures, but there was a slightly greater impact on pharmacy with FR employers.
- Differences may appear less significant because option plans at small employers attract a higher percentage of eligible employees and may be expected to perform more like a Full-Replacement program.

Differences in total expenditures by year and employer size

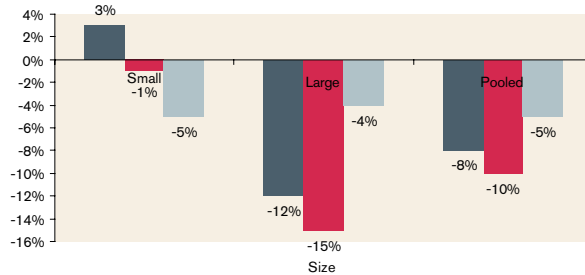


HSA full-replacement (FR) vs. HSA option, continued

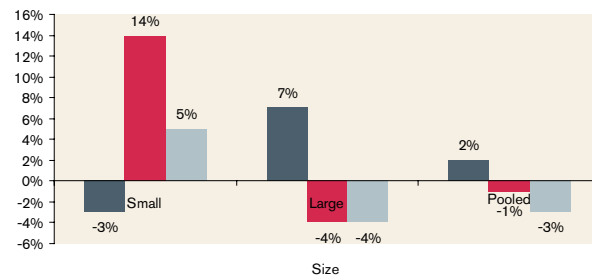
Health care utilization

- For Small employers, growth was slower for FR for hospital admission, but ER visits grew at faster rates over the two years. The opposite was seen for Large employers.
- Lab services were also impacted by going FR, with growth being slower among Large employers compared to Small employers.
- Changes over time in use of prescription drugs were similar for Small and Large employers, regardless of plan adoption strategy.

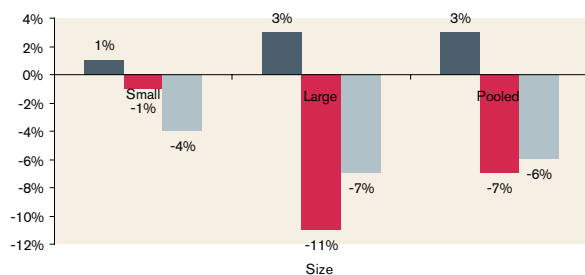
Differences in hospital admissions by year and employer size



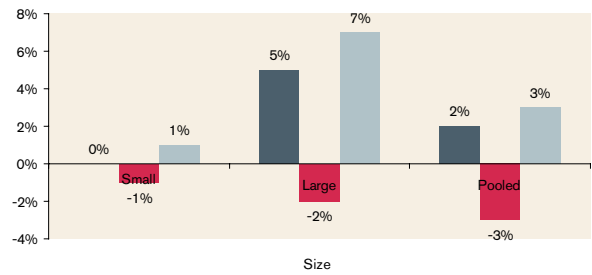
Differences in emergency room visits by year and employer size



Differences in laboratory by year and employer size



Differences in prescriptions by year and employer size



■ Pre ■ Year 1 ■ Year 2

About the study

This latest study from UnitedHealthcare is a three-year retrospective cohort study comparing:

- One year pre-HSA (2005) and two years post-HSA offering (2006 and 2007).
- Only employers that offered HSA starting in 2006 and continued in 2007 and having 2-99 employees (Small) or 100-4,999 employees (Large) were studied*.

UnitedHealthcare examined differences in two comparisons:

- Members choosing HSA versus members staying in traditional plans when employer offered a HSA as an option.

- Members from employers offering HSA as an option (Option) versus members from employers offering a HSA as full-replacement plan (FR).

- We took a 'whole employer' look when conducting this analysis and all plan options are included in the Option group.

- HSA's have been shown to work across nearly all industries and income groups, and nearly all major industries are represented in this particular study.

* Overall, this study included 689 employers and 37,719 members.

** Members with more than \$200,000 in allowable charges in any year and coordination of benefits at any time were excluded



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The DefinitySM Health Savings Account (HSA) high deductible health plan (HDHP) is designed to comply with IRS requirements so eligible enrollees may open a Health Savings Account with a bank of their choice or through OptumHealth Bank, Member of FDIC. "Definity HSA" refers generally to the DefinitySM HSA product, which includes a HDHP, although at times "Definity HSA" may refer only and specifically to the Definity Health Savings Account, provided in conjunction with OptumHealth Bank and not to the associated HDHP.

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