



Highlights of [GAO-10-616](#), a report to congressional requesters

## Why GAO Did This Study

Consumer-directed health plans (CDHP) combine a high-deductible health plan with a tax-advantaged account, such as a health reimbursement arrangement (HRA), that enrollees can use to pay for health care expenses. In an effort to restrain cost growth, several employers, including the federal government through its Office of Personnel Management (OPM), have offered HRAs for several years.

For enrollees in HRAs compared with those in traditional plans such as preferred provider organization (PPO) plans, GAO assessed (1) differences in health status, and (2) changes in spending and utilization of health care services. GAO analyzed data from two large employers—one public and one private—that introduced an HRA option in 2003. GAO compared changes in health spending and utilization before and after 2003 for enrollees who switched from a PPO into an HRA (the HRA group) with those who stayed in a PPO (the PPO group). At the time GAO made its data requests to each employer, 2007 data from the public employer and 2005 data from the private employer were the most current and complete data available. GAO also reviewed published studies that included an assessment of the health status, spending, or utilization of HRA and other CDHP enrollees compared with traditional plan enrollees. Results are not generalizable beyond the enrollees, health plans, and employers GAO reviewed and also cannot be compared between the public and private employers.

View [GAO-10-616](#) or [key components](#). For more information, contact John Dicken at (202) 512-7114 or [dickenj@gao.gov](mailto:dickenj@gao.gov).

## CONSUMER-DIRECTED HEALTH PLANS

### Health Status, Spending, and Utilization of Enrollees in Plans Based on Health Reimbursement Arrangements

#### What GAO Found

On average, enrollees in the HRA groups of both employers GAO reviewed spent less and generally used fewer health care services before they switched into the HRA in 2003 than those who remained in the PPO, suggesting that the HRA groups were healthier. Average annual spending per enrollee for the public employer's HRA group was \$1,505 lower than the PPO group for the 2-year period prior to switching. (Spending for the public employer was based on analysis of both medical and pharmacy claims.) Likewise, the private employer's HRA group spent \$566 less per enrollee for the 2-year period prior to switching than the PPO group (we were not able to examine pharmacy claims for the private employer). Similarly, of the 21 studies GAO reviewed that assessed the health status of HRA and other CDHP enrollees, 18 found they were healthier than traditional plan enrollees based on utilization of health care services, self-reported health status, or the prevalence of certain diseases or disease indicators. Other demographic differences may also explain spending and utilization differences including that policyholders in the HRA group were younger than those in the PPO group.

Spending and utilization for enrollees in HRAs generally increased by a smaller amount or decreased compared with those in traditional plans that GAO reviewed.

- *Public employer.* From the 2-year period before switching—2001 to 2002—to the 5-year period after switching—2003 to 2007—average annual spending for the HRA group increased by \$478 per enrollee compared with \$879 for the PPO group. This smaller increase for the HRA group was partially driven by decreases in spending for prescription drugs. Additionally, average annual utilization of services per enrollee increased by a smaller amount or decreased for the HRA group compared with the PPO group for six out of eight services GAO reviewed.
- *Private employer.* From the 2-year period before switching—2001 to 2002—to the 3-year period after switching—2003 to 2005—average annual spending for the HRA group increased by \$152 per enrollee compared with \$206 for the PPO group. This smaller increase for the HRA group was partially driven by smaller increases in spending for physician office visits and decreases in spending for emergency room services. Additionally, average annual utilization of services per enrollee increased by a smaller amount or decreased for the HRA group compared with the PPO group for four out of seven services GAO reviewed.

Similarly, GAO's review of published studies found that seven out of eight studies that examined spending and controlled for differences in health status or other characteristics reported lower spending among HRAs and other CDHP enrollees relative to traditional plans.

OPM did not provide comments on the draft report. Representatives of the two employers whose health plans GAO reviewed did not comment on the draft report.