Health care's future: Turning patients into savers, shoppers

February 22 2017, by Tom Murphy

In this Tuesday, Feb. 7, 2017 photo, Lauren Nieves-Taranto, left, and husband Francisco play with their youngest child Nicolas, 4-months, at their home in Windermere, Fla. Nieves-Taranto covered the entire $8,000 bill from the birth of Nicolas last year with his account balance from a health savings account, or HSA. (AP Photo/John Raoux)

The U.S. government may soon lean on someone new to help lower health care costs: you.

The idea is that when your money is on the line—and not the insurance company's—you'll look for the best value and do your part to curb national health care spending.

The Affordable Care Act's fate is up in the air as President Donald Trump and Congress weigh plans to overhaul the law. While much remains unknown, Republicans indicated last week that they will encourage wider use of insurance that comes with a health savings account aimed at pushing patients to save and shop for care.

This coverage has been around for years and is becoming more common in plans offered through employers. It comes with a high deductible, which means most insurance doesn't kick in until patients have first spent their own money up to a limit that can top $10,000 for family coverage.

To ease that pain, health savings accounts, or HSAs, let customers set aside money before taxes, and some offer the chance to invest the balance in mutual funds like a retirement account.

More than 20 million people are covered by plans with HSAs, according to various estimates. Patients who used these accounts for years say they save money, and the coverage changes how they approach health care. But these plans also may push patients to skip care or quickly pile up debt. The shopping they encourage also is limited.

While these plans may help patients save on doctor visits, they do little to curb spending on the priciest care like major surgeries.

In this Tuesday, Feb. 7, 2017 photo, Francisco and Lauren Nieves-Taranto, center, with their children, from left, Sebastien, 13, Javier, 6, Nicolas 4-months, Valentina, 8, and Gabriel, 10, at their home in Windermere, Fla. Nieves-Taranto covered the entire $8,000 bill from the birth of Nicolas last year with his account balance from a health savings account, or HSA. (AP Photo/John Raoux)

"They really have very little effect on controlling costs," said Robert Laszewski, a health care consultant and former insurance executive. "Reality doesn't match the theory."

Jenel Stelton-Holtmeier wound up several thousand dollars in debt a few years ago after heart attack symptoms sent her husband to the hospital. The pain turned out to be sprained ribs. Bills from all the testing hit the couple before they met their deductible or had a chance to put money in an HSA.

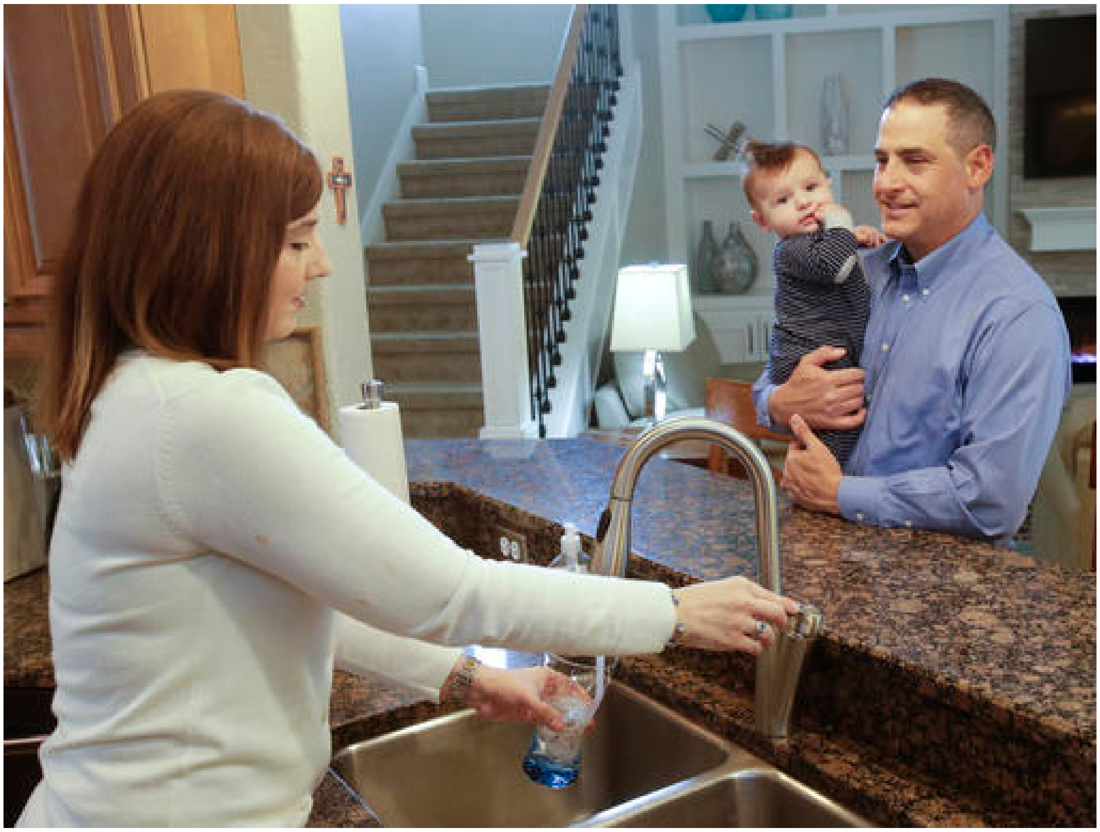
"You have to have a mindset of planning for it because you are going to be paying for everything up front until you hit that deductible," the 41-year-old Boulder, Colorado resident said.

The couple had no chance to shop for a better deal since they were dealing with an emergency. Even if they had time to make some calls, Stelton-Holtmeier doubts they would have made much progress.

She found doctors hesitant to give her a price specific to the care she needed when she did try to shop around. Plus her insurer didn't provide tools or directories for comparing cost and quality specific to her coverage.

HSAs let patients set aside money before taxes. It grows tax-free and isn't taxed when used for medical expenses. That triple layer of protection is unique among investment options allowed under federal tax law, said Jay Savan of the consulting firm Mercer.

Patients can keep their accounts when they change jobs and build their balances over time.



In this Tuesday, Feb. 7, 2017 photo, Francisco Nieves-Taranto, right, holds 4-month old Nicolas as he talks with his wife Lauren, at their home in Windermere, Fla. Nieves-Taranto covered the entire $8,000 bill from the birth of Nicolas last year with his account balance from a health savings account, or HSA. (AP Photo/John Raoux)

Real estate broker Francisco Nieves-Taranto used his HSA to cover the entire $8,000 bill from the birth of his fifth child last year. His account still had between $4,000 and $6,000 left over afterward.

The 48-year-old figures he's saved more than $6,000 since switching to an HSA plan more than five years ago, due in part to tax breaks and the lower monthly premiums.

Nieves-Taranto said he also has become a discerning shopper, favoring cheaper retail clinics over a doctor's office for routine care. When he reinjured his knee playing basketball, the Windermere, Florida, resident avoided going back to the doctor because of the potential cost.

Instead he stopped playing and used ice and stretching to give his knee time to heal. He's now pain-free and figures he saved a few thousand dollars in medical bills.

"It works perfect for me," Nieves-Taranto said of the account, adding that it's crucial to keep money in it.

Janet Burke opened her first HSA about eight years ago through work, and was taken aback when she got a $1,600 bill for an MRI because she had yet to meet her deductible.

But the 58-year-old Orlando, Florida, financial adviser has since become a fan of the coverage. She likes the tax breaks the account offers, and she's figured out how to take advantage of her coverage. Late last year, after she hit her deductible, she filled about 10 prescriptions before it reset in January. That saved around $600.

In this Tuesday, Feb. 7, 2017 photo, Francisco and Lauren Nieves-Taranto, center, with their children, from left, Sebastien, 13, Javier, 6, Gabriel, 10, Nicolas 4-months, and Valentina, 8, at their home in Windermere, Fla. Nieves-Taranto covered the entire $8,000 bill from the birth of Nicolas last year with his account balance from a health savings account, or HSA. (AP Photo/John Raoux)

"You have to learn to play the game," Burke said.

Whether people who will opt for this coverage under any federal plan will be able to play the game like Burke or make it pay off like Nieves-Taranto is far from clear.

People with low incomes may not benefit from the tax breaks the accounts offer, and they also might struggle to keep money in their accounts especially if the government doesn't help stock them.

Others might avoid care. The nonprofit Employee Benefit Research Institute studied a large employer it did not identify that offers the accounts. It found a steeper drop in doctor visits for workers making less than $50,000 compared to those making at least $100,000.

Researchers also saw an initial drop in prescriptions and use of preventive care like flu shots or breast cancer screenings after workers were introduced to coverage with an HSA. But those declines appeared to level off once they learned how to use the coverage.

"They don't necessarily know how the plan works when they first enroll in it, but they find out pretty quickly," said Paul Fronstin, health research director at the institute.

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