Health-deductible health plan -- What's an HDHP?

Les Masterson - Last updated: Nov. 7, 2019

High-deductible health plans (HDHPs) can be an option if you're looking for health insurance with low premiums.

Those lower premiums come with higher deductibles and out-of-pocket costs, though. So, you wind up paying more for your health care if you need it.

What's a high-deductible health plan?

An HDHP has a deductible of at least $1,400 for single coverage and $2,800 for family coverage. A high-deductible plan has a maximum of $6,900 for in-network out-of-pocket costs for single coverage and $13,800 for family coverage. Those costs include deductibles, copays and coinsurance.

What's considered an HDHP	Single coverage	Family coverage
Minimum deductible	$1,400	$2,800
Maximum in-network out-of-pocket costs	$6,900	$13,800

So, let's say you have a deductible of $3,000. You need a procedure that costs $4,000. With an HDHP plan, you'd pick up the first $3,000. Then your coinsurance kicks in after $3,000. At that point, your health plan would pay a percentage of the costs and you'd pick up the rest.

An HDHP is an option if you want to pay lower premiums and understand you'll pay more for health care services. However, a recent Insure.com survey found that many businesses aren't offering employees a choice.

In a survey of 500 people:

- 36% of people with an HDHP said they chose the plan because it "made more sense for my situation."
- 33% said it was more cost-effective.
- 28% said they didn't have a choice. Their employer only offered an HDHP.

Employers and health insurers have increasingly turned to high-deductible plans as a way to bend the cost curve. Kaiser Family Foundation said 30% of employer-based health plans were HDHPs in 2019. That was second only to preferred provider organization (PPO) plans. Forty-four percent of members in employer-sponsored plans have a PPO.
HDHP supporters say these plans give people "skin in the game." In other words, they'll be more engaged in their health care, avoid unnecessary care and reduce costs if they have to pay more for services.

Are HDHPs leading to lower health costs?
A key tenet of an HDHP is that it can reduce health care costs -- both for employers and employees in lower premiums.

However, we found that the vast majority of people with a high-deductible plan haven't seen lower health care costs. Forty-six percent of people surveyed said their costs increased and 43% said they stayed the same. A mere 11% said their costs decreased.

One drawback with an HDHP is that paying more for doctor appointments and tests may make people delay care.

The Insure.com survey found that concern is a reality. More than half of people with an HDHP said they've delayed care because of cost:

- 56% percent said they put off care.
- 44% percent said they haven't.

That's a problem not just for the plan members, but the employer and health insurer. Delaying necessary care could lead to more health problems and higher health bills later.

Another concern is that people with high-deductible plans often say their plans aren't educating them to improve health care decisions. High-deductible health plans were once commonly called consumer-directed health plans. A vital piece of those plans is educating patients to help them become better health care consumers. We found that many people said their HDHP hasn't made them a better healthcare consumer in terms of shopping for cost and quality. Thirty-nine percent said they feel like a better health care consumer because of their plan.

One piece of good news for insurers from the survey is that higher deductibles are inspiring people to shop for care. More than two-thirds of HDHP members said they've shopped for hospitals, doctors, tests or procedures:

- Checked online ratings and costs -- 48%

- Called physician offices and hospitals and compared costs -- 29%
- Talked to friends and family for reviews and costs -- 22%

How much are HDHP deductibles?

The average deductible for single coverage was $1,655 in 2019 for employer-based plans. The average deductible for HDHPs was $2,486 for a single plan, according to Kaiser Family Foundation.

Insure.com found that respondents' single plan deductibles were usually between $1,701 and $4,000. That's well above the $1,400 threshold for a plan to be considered high-deductible.

Here are what the survey respondents said:

- $2,500-$4,000 -- 31%
- Between $1,701 and $2,499 -- 29%
- More than $4,000 -- 18%
- Less than $1,700 -- 11%

Kaiser Family Foundation said the average HDHP deductible for family coverage was about $3,700 for employer-based plans in 2019. Our respondents said their family plan deductibles are:

- $4,500 to $6,000 -- 26%
- $3,001-$4,449 -- 22%
- More than $6,000 -- 14%
- Less than $3,000 -- 13%

These deductibles are significantly higher than PPO and health maintenance organization (HMO) plans. However, those higher costs are offset by lower premiums. Kaiser Family Foundation said the average premiums for plans in 2019 were:

Type of plan	Employee premiums	Employers' contributions	Total costs
Single coverage			
PPO	$1,454	$6,222	$7,675
HDHP	$1,071	$5,341	$6,412
HMO	$1,058	$6,180	$7,238
POS	$1,072	$6,112	$7,185
All single coverage average	$1,242	$5,946	$7,188
Family coverage			
PPO	$6,638	$15,045	$21,683
HDHP	$4,866	$14,114	$18,980
HMO	$6,009	$14,688	$20,697
POS	$6,945	$12,894	$19,838
All family coverage average	$6,015	$14,561	$20,576
Source: Kaiser Family Foundation's 2019 Employer Health Benefits Survey			

High-deductible plans in the ACA marketplace

The Affordable Care Act (ACA) exchanges' high-deductible health plans are called bronze plans.

A bronze plan insurer picks up 60% of your health care costs. You handle the remaining 40%.

Much like a high-deductible plan in the employer-based market, a bronze plan offers low premiums with higher out-of-pocket costs.

Another option for people who want low premiums is short-term health plans. These plans offer limited coverage and low costs. They're not technically classified as health insurance plans. Short-term plans don't meet the ACA coverage requirements of what the federal government considers health insurance.

These plans often don't offer many benefits. For instance, you may have trouble finding a short-term plan with maternity, mental health or prescription drug coverage.

These plans are available for up to a year and you can renew two more times. So, in effect, you can have a short-term plan for three years.

However, some states forbid the plans and others restrict them to fewer months. Short-term plans offer less protection than a regular high-deductible or bronze plan. So, if you're interested in these low-cost plans, you'll need to read the fine print to figure out what the plan actually covers. Otherwise, you could get stuck paying for all of your health care bills.

Pros and cons of high-deductible health insurance

Choosing a health plan depends on your choices, finances, providers and what you want from your plan. An HDHP can be the right plan if you don't expect to need much health care over the next year. However, if you have a growing family or expect to need medical services, you may want to find a plan with lower out-of-pocket costs.
Here are the pros and cons of HDHPs:

Pros

- Lower premiums
- Offers the same benefits and coverage as other plans like PPOs and HMOs
- Health savings accounts let you save for your health care
- Employers may contribute to a savings account to help you pay for care

Cons

- Higher out-of-pocket costs
- You pay for all of your health care until you reach the high deductible and then pay a portion of the bill
- You might delay care because of costs
- Out-of-pocket costs can be expensive for people with chronic illnesses

High-deductible health plan advice

HDHPs can be a cost-effective solution, but you'll want to follow the following information to get full advantage of your plan.

Don't delay care

HDHPs have higher out-of-pocket costs than other health plans. That doesn't mean you should put off health care to avoid those costs. Avoiding care may wind up costing you more in the long run and can hurt your quality of life.

Don't put off preventive care either. Health plans must provide free preventive care like an annual physical. You shouldn't avoid those appointments -- even if you know you'll wind up having to pay out-of-pocket for tests.

Shop around

Having to spend more on health care services means it's vital that you shop around for care.
You can check with doctors and facilities to figure out the most cost-effective options. You'll also want to check quality ratings. It might not make sense if you go to a low-cost facility with lousy quality ratings.

Health plans often provide online price comparison tools for providers and prescription drugs.

Stay in-network as much as you can

Health plans have contracts with providers. These providers are considered in-network. In-network providers will cost you less than getting out-of-network care.

PPOs allow out-of-network care, but charge more for it. An HMO usually makes you pay the whole amount for out-of-network care. HDHPs vary as to whether they'll pay for out-of-network care.

Make sure you understand your provider networks before signing up for a plan. Check with your providers to make sure they take the plan.

Review your health care bills

You pick up more of the tab when you have an HDHP. You should check each bill to make sure your plan is covering what's required. If not, check with the insurer.

You can appeal a charge to the health insurer. You can request both an internal and external appeal.

Take advantage of your HSA

An HSA is a great way to save for your health care.

Try to contribute the max, so you'll have tax-free money set aside for your health care. Remember that you can carry over money to the next year, so there's no need to spend everything in one year.

In fact, it's a good idea to save money for your later health care costs. If you're 55 or over, you can chip in even more to your account. Putting aside more money can help you as you reach your senior years.

HDHPs are a low-cost solution for a health plan. However, these plans come with a downside -- namely, more out-of-pocket costs. They can be an excellent choice for younger people who don't have families. However, if you have a family or any health issue, you may want to decide on a plan with lower out-of-pocket costs like a PPO or HMO.

What's an HSA?

HDHPs are coupled with savings accounts. You can use the money to pay for health care now or you can save it for later care.

The most common account is a health savings account (HSA). HSAs help members pay for their health care, as well as invest in the future.

About one-quarter of companies with health benefits offered an HSA in 2019, according to Kaiser Family Foundation.

HSAs are one type of health account. The others are health reimbursement arrangements (HRAs) and flexible spending accounts (FSAs). Unlike HRAs and FSAs, an HSA is yours. You can take it with you when you change jobs.

A member can contribute $3,550 per person or $7,100 for family coverage to a plan per year. People over 55 can contribute another $1,000 on top of those limits.

Contributions are tax-deductible. An employer can also put money into the account to help you pay for health care.

What qualifies as a high-deductible health plan for an HSA?

HDHP-qualifying plans must have a deductible of at least $1,400 for individuals and $2,800 for families in 2020.

That threshold increases a little bit each year.

How much are people contributing to HDHP health savings accounts?

HSAs are a way to save money for your health care, but we found that many with HSAs aren't contributing to their accounts.

We found that nearly one-third (27%) said they don't contribute anything to their HSA. Respondents to the Insure.com survey said they contribute:

- More than $3,000 -- 15%
- $501 to $1,000 -- 14%
- $1,001 to $2,000 -- 13%
- $2,001 to $3,000 -- 13%
- Less than $500 -- 9%

Employers can also contribute money to savings accounts to help employees pay for health care. However, we found that 38% of respondents said their companies don't give anything to HSAs. Here's what employers are contributing:

- $501 to $1,000 -- 15%
- $1,001 to $2,000 -- 15%
- $2,001 to $3,000 -- 8%
- Less than $500 -- 7%
- More than $3,000 -- 7%

What happens to my HSA if I no longer have an HDHP?

You can take your HSA with you when you leave an employer, but you can't contribute to an HSA unless you have an HDHP

You can tap into savings to help pay for care regardless of the type of plan once you set it up.

Ready to get a quote?

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