

Growth of HSAs, HDHPs Could Translate to Shrinking Health Plan Revenues

By 2012, fees related to health savings accounts (HSAs) could top \$1 billion, according to a new report from Cambridge, Mass.-based Forrester Research, Inc. While that's great news for the financial firms that have jumped into the HSA market as account administrators, it means many health plans will watch their slice of the health care payment pie shrink steadily during the next several years.

Also cutting into revenues are the low premiums tied to high-deductible health plans (HDHPs), notes Katy Henrickson, a senior analyst at Forrester and the report's lead author. The impetus for the report, she says, was to show health plans the real dollars that are at stake as the popularity of HSA-based plans increases.

"If they knew the revenue involved, maybe they could negotiate for a portion of the HSA-related fees as they set up partnerships with custodians," she says. The health plans "are the primary distribution channel for HSAs and will be at least during the next couple of years."

Although much of the money placed into HSAs will be used to cover health care expenses, a fair amount—about 20%—will remain untouched by account holders that see the HSA as a pure savings vehicle. The value of the HSA market will remain relatively low during the next couple of years due to the small number of accounts opened and HSA contributions that are limited to the member's deductible. However, Forrester notes, custodians aren't in the HSA business only to manage assets. A "substantial portion" of the HSA revenues that custodians generate will come from account fees and transaction fees. This year, HSA custodians will generate about \$960,000 in asset management fees and another \$6.2 million in transaction fees, according to the report. By 2012, Forrester estimates, total HSA assets will reach \$35 billion up from an estimated \$173 million in 2005.

Two of the industry's largest insurers, UnitedHealth Group and Aetna Inc., have already started to service HSAs on their own. The Treasury Dept. allows health plans to serve as an account trustee or custodian if they also have life insurance products. "A lot of the plans are focused on building their business in the CDH space, and the potential lost premium revenue right now is only a secondary thought," Henrickson says.

18 Million HSAs by 2012?

Driven by booming enrollment in HDHPs, the number of HSAs will grow to more than 6 million in 2008, according to Forrester's projections. That number could triple to more than 18 million by 2012, the company says.

Most industry observers who spoke with ICDC agree that HSAs will continue to grow rapidly during the next several years. While some expect the popularity of HSA-based health plans to eventually outpace health reimbursement arrangements, others say HRAs will

remain the most popular choice among all but the smallest employers.

"I believe that HSA adoption will show strongest growth in the individual and small to mid-size employer market," says Jay Savan, a consultant in the St. Louis office of Towers Perrin. In the near term, he says, employers will be reluctant to contribute funds to employee-held HSAs, which will make HRA-based plans a more popular choice. "I do not believe you'll see large employers broadly sponsoring matched or funded HSAs in the next few years, if ever," he says.

Jerry Ripperger, director of consumer health at The Principal Financial Group, however, says consumer demand will prompt more employers to offer HSA-based plans. "HSAs are the first mainstream CDH option that is

"HSAs are already more popular than HMOs were when they were introduced in the market."

Leonard Grover, Marsh USA

President's Message

Happy November! I cannot believe the holidays are almost upon us.

Speaking of the holidays, we are doing something a little different this year with regard to our Holiday Charity Fund-raiser. In the past, we have asked the membership to donate to our charity, The Ventura County Hospital Pediatric Ward. This year, we have decided to have our **First Annual Casino Night** in order to raise money for the hospital. The event is taking place on Thursday, November 10 from 5 – 8 p.m. at the Renaissance Hotel in Agoura Hills. We will have a silent auction as well as super raffle prizes! All proceeds will go to the charity. We are hoping to raise more money this year than we have in prior years. I already have received a lot of good feedback about the event. I am certain it will be successful and that we will have a lot of fun at the same time. Won't you join us?

Also, I want to thank all those who attended our Consumer Education Day on Tuesday, October 25. Agents took the opportunity to bring their clients and others to learn more about Medicare Part D.

We are committed to bringing you even more educational and informative meetings this year! If there is a topic you are interested in, let one of the board members know.

I am looking forward to seeing you at our First Annual Casino Night. Be sure to send in your registration today!

Debbie Blander

VCAHU President
2005-2006



Growth of HSAs. . .

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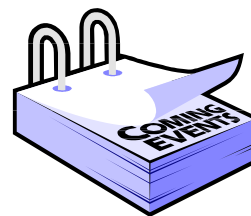
about my money, and therefore has the greatest potential to engage members in making decisions about their health and health care benefits," he says. "HRAs are not about my money. They are about the plan's money."

HSAs are already more popular than HMOs were when they were introduced in the market, adds Leonard Grover, vice president in the Salt Lake City office of Marsh USA. "We are seeing a decent number of large employers [100 or more employees] that are going to replace an existing plan with an HSA product," he says. "I would be surprised if there were more than a handful of employers in the entire nation in 1981 that eliminated their traditional insurance and offered only an HMO."

Gordon Rains, president of The Rains Group, Inc., a Bingham Farms, Mich.-based consulting firm, expects that the number of HSAs will see "explosive growth" during the next couple of years and then level off with little or no net growth. "These accounts are a perfect bridge for smaller employers (i.e., those with fewer than 100 employees) that are in non-experience-rated pools or community-rated contracts."

Source: Inside Consumer Directed Care

Coming Events



Remember to RSVP to all member events. Advance payment is required for Casino Night.

- **November 10** - Casino Night, 5 - 8 p.m., (C.E. 4 - 5 p.m.)
Renaissance Hotel, Agoura Hills
- **December 20** - Member Holiday Party, 11:30 a.m. - 1:30 p.m., Courtyard by Marriott - Oxnard
Admission and Lunch are Free!
- **January 17** - Monthly Membership lunch meeting (11:30 a.m. - 1:30 p.m.), Courtyard by Marriott - Oxnard
C.E. Program - Long Term Care

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Win Big With CAHU PAC *by Christopher Denton, PAC Chair*

Make a donation to the CAHU PAC in November or December, and you could be the winner of an iPod!

VCAHU is holding an iPod raffle to help get closer to its goal of raising \$23,200 for PAC. To do your part, simply purchase one or more \$20 raffle tickets from me or any board member, and you'll instantly be a winner for helping your industry lobbyists spread the word in Sacramento and Washington, D.C. For every raffle ticket you buy, you'll receive one entry into the drawing for the 5000-song iPod.




Only 200 tickets will be sold, so buy your ticket today! The drawing will be held at the VCAHU Holiday Party on December 20.

I am also happy to report that for September, we saw a 15 percent increase in PAC donations, thanks to one-time donations by some of our members:

Debit Card: \$182

Credit Card: \$486

Total collected in September: \$771.95

		
1ST ANNUAL CHARITY CASINO NIGHT		
CE COURSES ARE NOW CONFIRMED!		
<i>Please join us in supporting our charity – The Ventura County Hospital Pediatric Ward</i>		
	Thursday, November 10, 2005 5:00 p.m. – 8:00 p.m. <i>(1 hour CE Course pending from 4:00 p.m. – 5:00 p.m.)</i>	
<p>HOW TO REGISTER:</p> <p>Toll-Free RSVP line: <i>(payment information will be accepted)</i> (877) 623-7830</p> <p>Fax: (559) 227-1463</p> <p>Email: VCAHU_News@pesc.com</p> <p>PRE-REGISTRATION & PRE-PAYMENT REQUIRED</p>	<p>*PRE-PAYMENT IS REQUIRED!</p> <ul style="list-style-type: none">♣ Bring your spouse, bring your staff... enjoy a fun evening out.♣ Poker, Roulette, Blackjack, & Craps tables will be available for your entertainment♣ Limited space♣ There will also be a silent auction, which will include sporting event tickets, theatre tickets, and local merchant gift certificates – proceed will go to the charity♣ Bring your checkbook and/or your cash! Extra chips will be available for purchase♣ Great raffle prizes to be given away at the end of the evening♣ Hor's d'oeuvres, free drink ticket, play money and raffle ticket included with your donation. There will also be a no-host bar. <p>* All Contributions received are tax deductible</p>	<p>VENUE:</p> <p>Renaissance Agoura Hills Hotel 30100 Agoura Road Agoura Hills, CA</p> <p>Can't make it to the event? That's ok, just donate directly. Call (877) 623-7830 to make your donation today.</p> <p>You can also send your contribution to VCAHU's offices.</p> <p>Make donations payable to "CAHU CCF"</p> <p>Registration Costs: \$60 Donation</p>

Membership Report *by Jason Herbison, Membership Chair*

I'd like to welcome the following new members to the Ventura County Chapter of Health Underwriters and say thank you to each of their respective sponsors.

Julianne Canter - Warner Pacific
Cindy Jones - Warner Pacific
Melissa Storey - Three Mark Financial
Katherine Houlehan - Insurance Dimensions

I'd also like to thank Elizabeth Holman, VCAHU Past President and current Retention Chair, for her efforts in contacting members who have lapsed and encouraging them to remain active members of our association.

The following members have had their membership lapse within the last 3 months:

Carol Dale – California Senior Insurance Service
David Ethell – David's Financial Service
Jackie Gerber – Ogilvy Hill Insurance Services
Anna Kittleson – AFLAC
Carolynn Novack – AFLAC
Jeff Price – Wellpoint
Bradley Witt - AFLAC

We are still looking for volunteers to help be part of the VCAHU membership committee. So, if you are interested in seeing our association grow, please let me know. You can contact me at jason.herbison@blueshieldca.com

Thank You to Our Sponsors

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The Voice is published monthly by the Ventura County Association of Health Underwriters. Advertising and editorial inquiries can be addressed to Newsletter Chair Cindy Jones at cindyj@warnerpacific.com, (818) 225-0101, ext. 117.