



Insight

High Deductible Health Plans Doomed to Low Enrollment

JULY 6, 2012

President Obama's massive Affordable Care Act (ACA) is rife with contradictions in its 2700 pages. Particularly interesting is the ACA's treatment of high deductible health insurance plans (HDHPs). These plans are currently [popular products](#) for adults of all ages, but especially healthy young people, in both the individual and employer market. The ACA effectively gets rid of most non-grandfathered HDHPs, as [they often fall below the "bronze" actuarial value of 60%](#), which is the lowest allowable for a state exchange-eligible plan.

One caveat to this rule is that the ACA allows insurers to sell HDHPs with an actuarial value lower than 60% to adults under 30 years of age which, for this age group, counts as "qualifying coverage." Individuals under 30 insured under HDHPs would also be exempt from the individual mandate penalty, which is now the individual mandate tax, per Chief Justice Roberts. You would think it's not all bad news for HDHPs, right?

Not surprisingly, this comes with a contradictory catch: adults under 30 with HDHPs are not eligible for premium subsidies. The subsidies would only be available if they purchased more comprehensive, and more expensive, plans on the exchanges.

HDHPs make a lot of sense for many health care consumers and they make a lot of sense for the healthcare system, as they encourage the use of lower cost care settings, more transparent pricing from providers, and serve as an affordable insurance product that still protects against catastrophic expenses. They work much like other insurance products in which the benefit only kicks in when there is an unexpected event, rather than routine maintenance.

It will shock no one when aggregate healthcare spending increases as a result of HDHP's going nearly, if not entirely, extinct.