

Health Savings Accounts: January 2005 – December 2005

May 10, 2006



eHealthInsurance

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Introduction

- On January 1, 2004, Health Savings Accounts became available as a consumer-directed healthcare option for Americans, helping people attain affordable health insurance, experience flexibility in the use of their healthcare dollars, and save for their future medical needs tax-free. As the leading online source of health insurance for individuals and families, eHealthInsurance immediately began offering health insurance plans that are Health Savings Account-eligible (HSA-eligible) for consumers to use with Health Savings Account (HSA) banking options.
- In April of 2004, eHealthInsurance released “Health Savings Accounts: The First Three Months,” the first overview of individual and family adoption of HSA-eligible plans. In response to requests for additional information, two subsequent reports were produced to review sales of HSA plans at 6 months and 1 year.
- This report, “Health Savings Accounts: January 2005 – December 2005,” was developed to provide a snapshot of the HSA market, defined as HSA-eligible plans sold by eHealthInsurance to individuals and families from January 1 through December 31, 2005. This report was created:
 - To identify and compare key demographics of HSA-eligible health insurance plan purchasers;
 - To present and compare the monthly premiums for HSA-eligible health insurance plans;
 - To outline the health insurance benefit levels included in the HSA-eligible plans purchased by consumers from January 1 through December 31, 2005; and
 - To compare the latest figures to those provided in the 1 year report, highlighting key changes.
- eHealthInsurance is the leading online source of health insurance in the United States for individuals and families and represents over 140 of the leading health insurance companies. Our nationwide presence enables us to provide transparency in the growing consumer-directed health care marketplace by supplying a unique analysis of consumer purchasing.
- Please refer to the methodology section of this report on page 23 for detailed explanations, including U.S. Department of Treasury guidelines for a health insurance plan to be characterized as “HSA-eligible.”

Summary of Findings: Health Savings Account Activity in 2005

Characteristics of eHealthInsurance's HSA Plan Purchasers

- Forty-one percent of the 2005 HSA purchasers reported being uninsured prior to buying their HSA plan.
- Forty-two percent of HSA plan purchasers are at least 40 years old or older.
- Nearly half of HSA plan purchasers have annual incomes of \$50,000 or less.

HSA-Eligible Plan Costs and Benefits

- Consumers paid less for HSA-eligible plans in 2005.
 - Individuals paid 17% less on average for HSA plans, paying \$114 in 2005 compared to \$138 in 2004.
 - Plans bought by families were 6% less on average, at \$261 in 2005 compared to \$277 in 2004.
- HSA plan purchasers have been migrating toward higher annual deductibles with more than 60% choosing plans with deductibles of \$3,000 or more in 2005 compared to 50% in 2004.
- More than two-thirds of HSA plans cover regular office visits and three-fourths cover OB/GYN office visits at 100% after the deductible is met.
- Nearly 80% of the HSA plans provide prescription drug benefits, and more than 70% cover other typical benefits at 100% once the annual deductible is met.

Summary of Findings: Health Savings Account Activity in 2005

HSA-Eligible Plan Costs and Benefits (continued)

- More than three-fourths of the HSA plans cover 100% of emergency room, hospitalization, lab and x-ray services after the annual deductible is met.
- More than half of individual HSA plan purchasers selected annual out-of-pocket limits lower than \$5000. Among plans bought by families, over 62% had out-of-pocket limits of less than \$10,000.

Overview of eHealthInsurance's 2005 HSA-Eligible Plan Purchasers

Age

While the average age of an HSA plan purchaser is 38 years old, 42% of purchasers are 40 years old or older.

Income

Income levels of HSA plan purchasers are varied with 45% having household incomes of \$50,000 or less and the remaining 55% earning more than \$50,000 annually.

Previous Insurance

Overall, 41% of HSA plan purchasers in 2005 did not have health insurance prior to selecting their HSA-eligible plan.

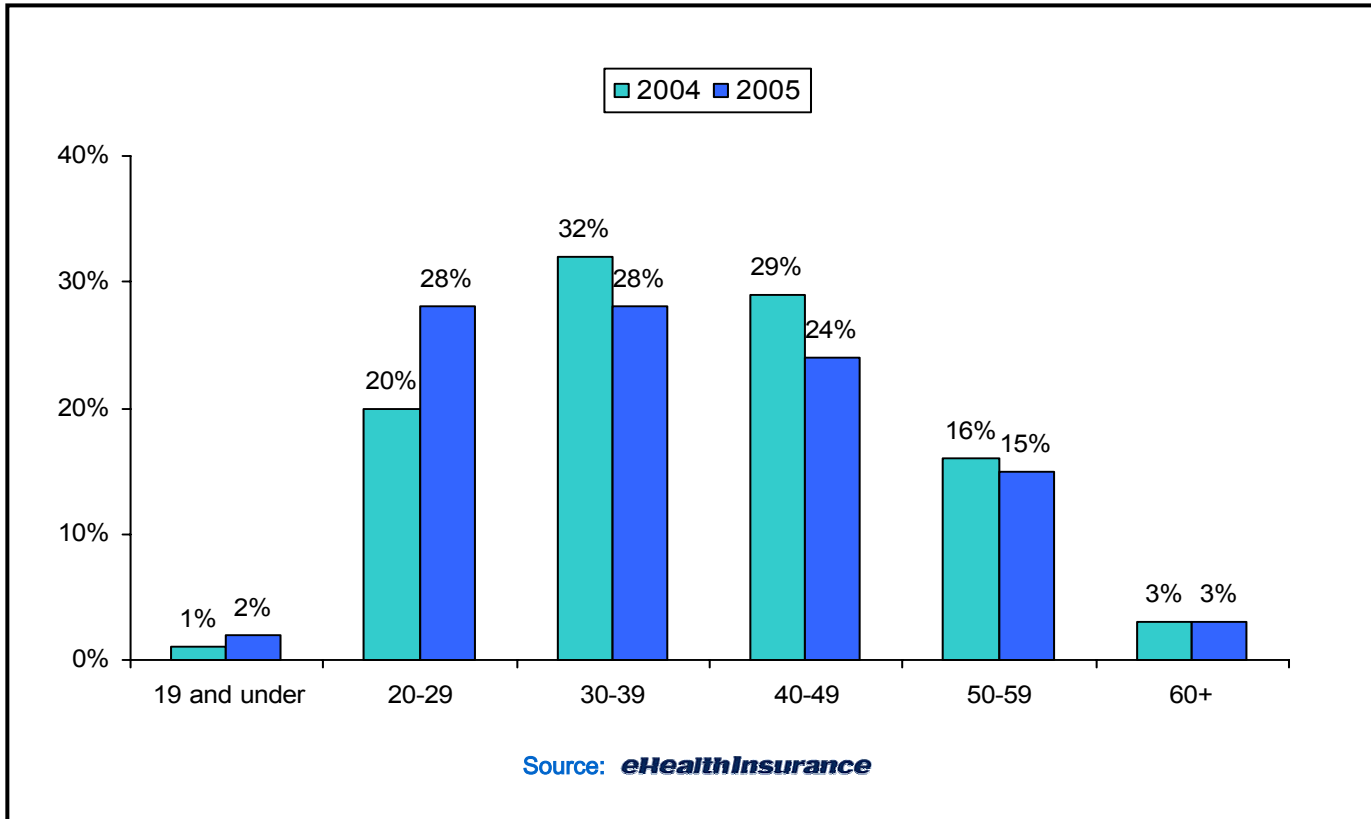
Composition of HSA Plan Purchasers

HSA plans are purchased more by individuals (63%) than by families (37%).

Gender

Males are the primary purchasers of plans for families (69.8%) and for individuals (55.4%).

Age Distribution of HSA-Eligible Plan Purchasers



Forty-two percent of HSA-eligible plan purchasers in 2005 were age 40 or older.

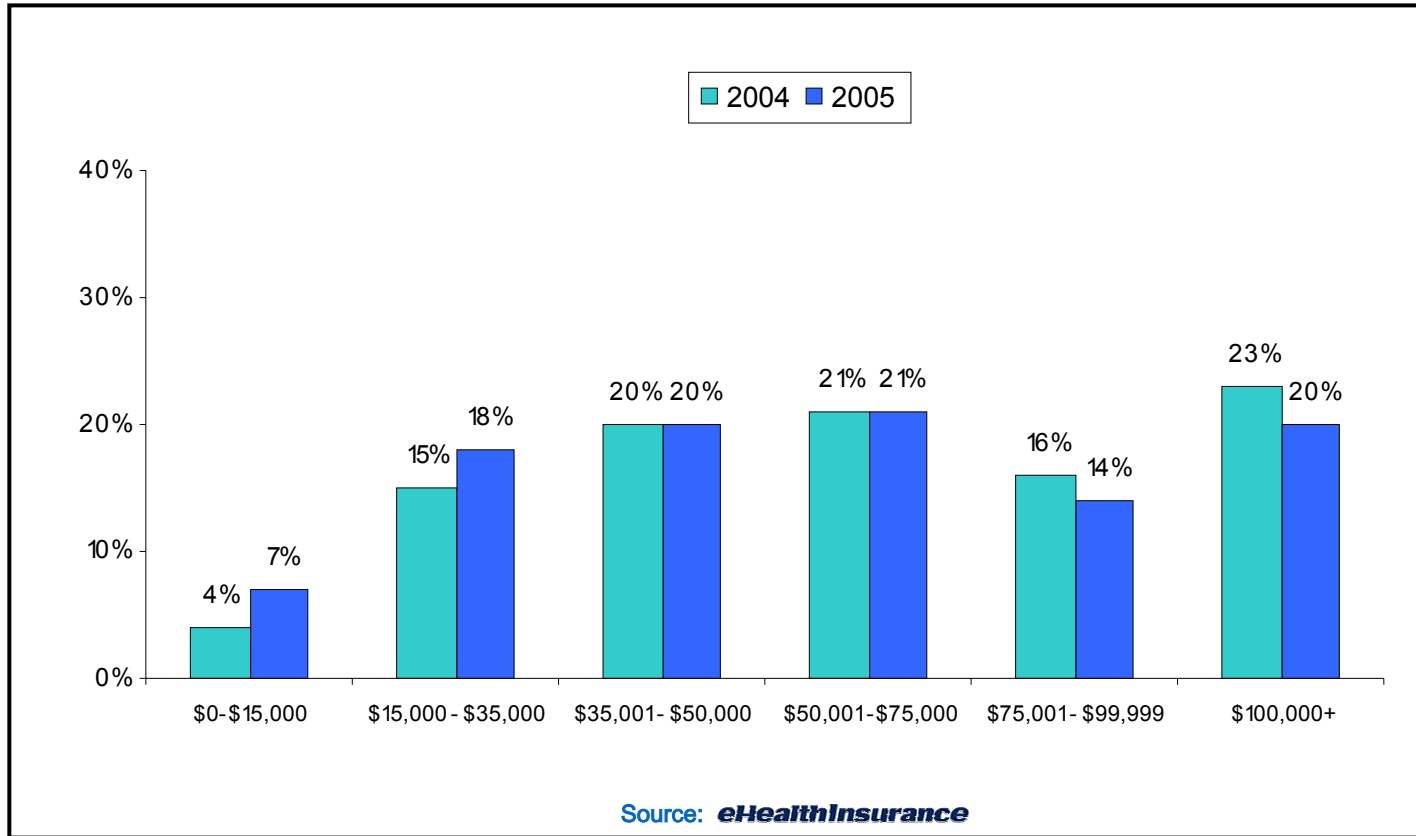
The average age of HSA plan purchasers decreased 2 years, from 40 in 2004 to 38 in 2005.

HSA plan purchases have been growing most rapidly among the 20-29 year-old age group.

In 2005, the 20-39 year-old age groups represented the two largest segments of HSA plan purchasers.

- The average age of a 2005 HSA plan policyholder is 38 years old compared to a non-HSA plan policyholder at 33 years old.

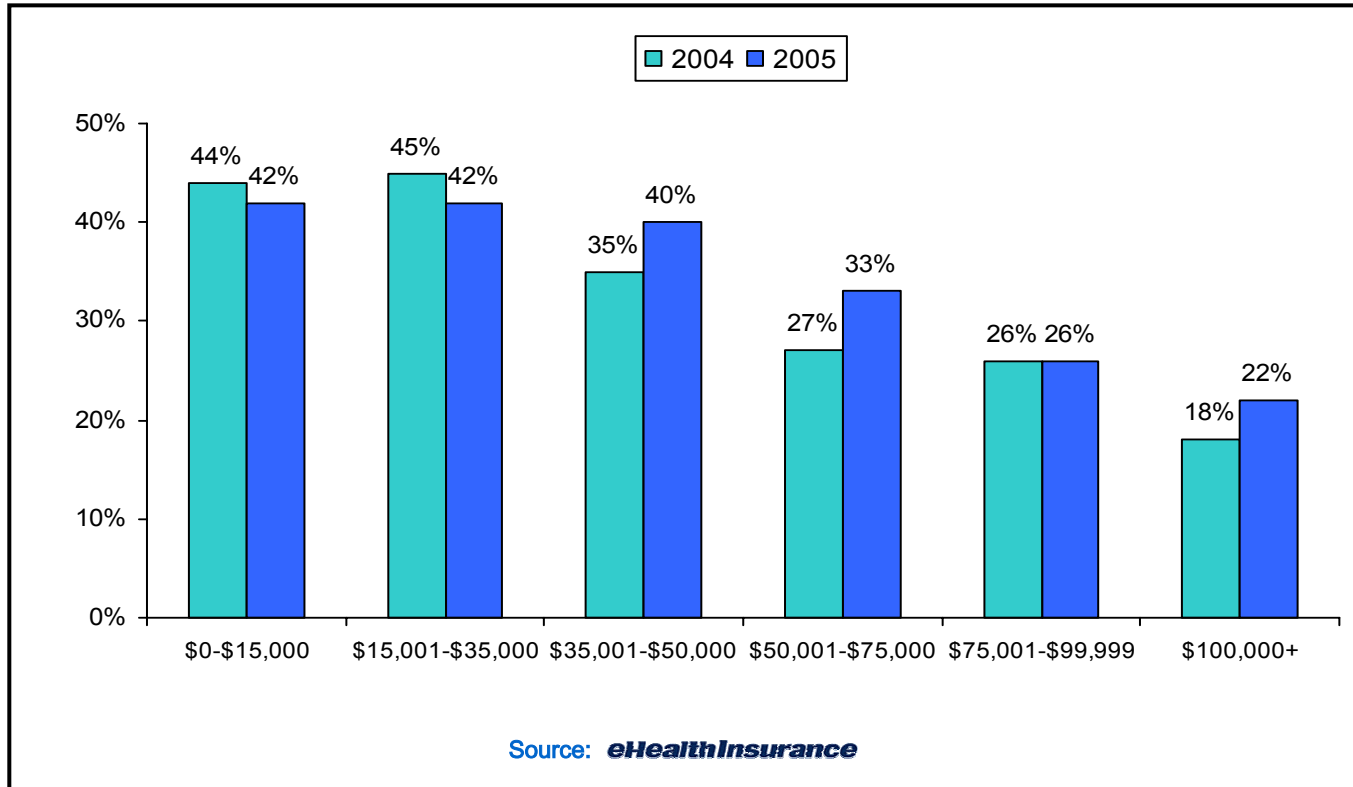
Annual Income Level of HSA-Eligible Plan Purchasers



Forty-five percent of HSA-eligible plan purchasers earn \$50,000 or less annually.

In 2005, 25% of HSA plan purchasers earned \$35,000 or less compared to 19% in 2004.

Percent of Previously Uninsured HSA-Eligible Plan Purchasers By Income Category*



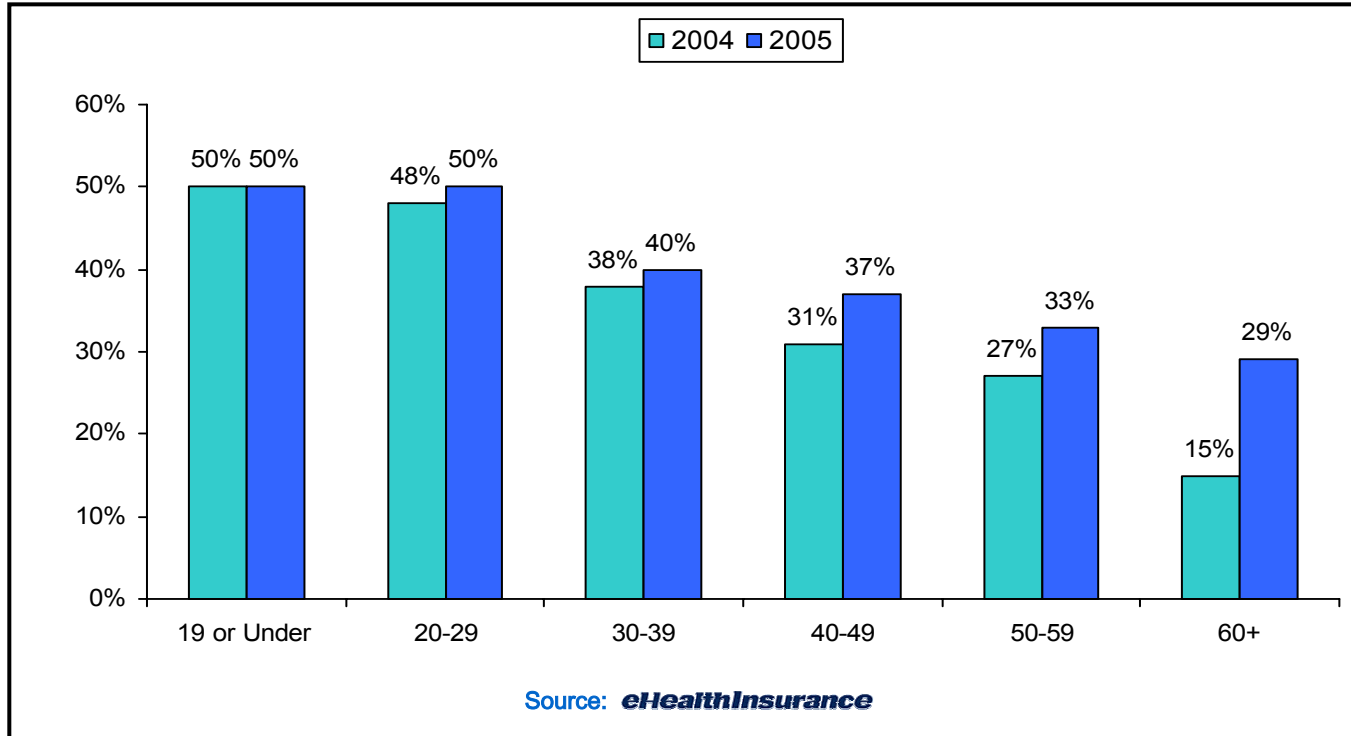
Overall, 41% of 2005 HSA-eligible plan purchasers did not have prior health insurance.

The \$35,001 - \$75,000 income brackets showed the largest increase in previously uninsured HSA plan buyers.

- The U.S Census Bureau estimated that 45.8 million Americans (15.7%) did not have health insurance coverage in 2004.

* Note: "Previously uninsured" is defined as a policyholder not having health coverage for a period of at least 6 months prior to purchasing the current coverage.

Percent of Previously Uninsured HSA-Eligible Plan Purchasers By Age*



Half of the 29 year-old and younger HSA-eligible plan purchasers were previously uninsured.

Compared to 2004, in 2005 a higher proportion of HSA purchasers who were previously uninsured fall into the older age categories.

In 2005 the 60+ age category of previously uninsured HSA plan purchasers nearly doubled.

Nineteen percent of the previously uninsured new purchasers are covering children on their own HSA plans.

- Data from the U.S. Census Bureau shows 18-34 year-olds were most often living without health insurance coverage in 2004.

* Note: "Previously uninsured" is defined as policyholder not having health coverage for a period of at least 6 months prior to purchasing the current coverage.

Family Composition of HSA-Eligible Plans Purchased

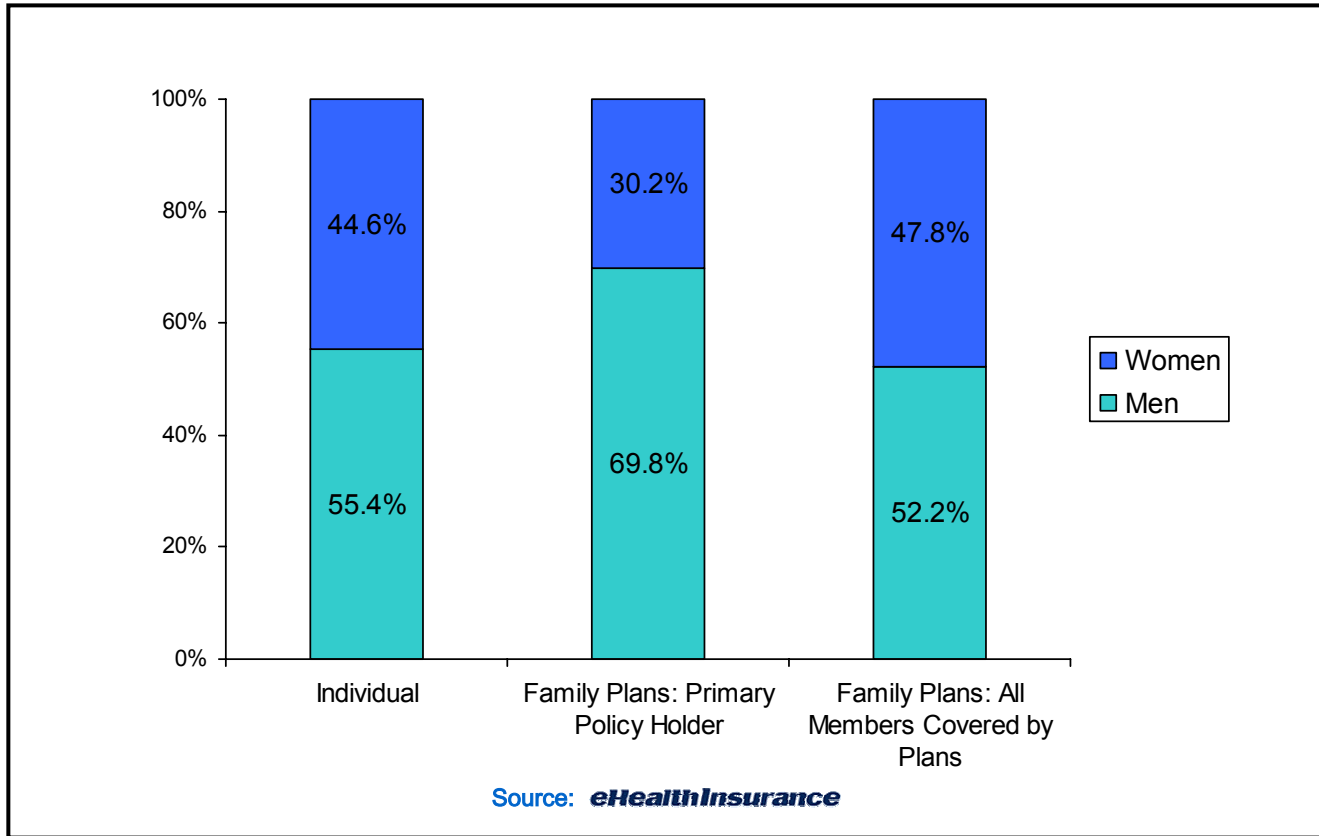
	2004	2005
Individual	51%	63%
Individual + Spouse	12%	10%
Individual + Child	4%	3%
Family (3)	13%	9%
Family (4)	14%	10%
Family (5+)	6%	5%

Source: **eHealthInsurance**

In 2005, 63% of HSA-eligible plans were purchased by individuals. This was a significant increase over 2004.

Thirty-seven percent of HSA plans were purchased by families.

2005 Gender Distribution of HSA-Eligible Plan Purchasers



Men are the primary purchasers of family and individual HSA-eligible plans.

Summary of HSA-Eligible Plan Costs and Benefits

Average Monthly Premiums

- Individual purchasers of HSA-eligible plans paid 17% less on average for monthly premiums, paying \$114 in 2005 compared to \$138 in 2004.
- Families paid an average of 6% less on HSA plans, paying \$261 in 2005 versus \$277 in 2004.

Annual Deductible Amounts

- HSA plan purchasers have been migrating toward higher annual deductibles with more than 60% choosing plans with deductibles of \$3,000 or more in 2005 compared to 50% in 2004.

Plan Features

- Office Visits - More than two-thirds of HSA plans cover regular office visits, and three-fourths cover OB/GYN office visits at 100% after the annual deductible is met.
- Prescription Drugs - Nearly 80% of plans provide prescription drug benefits, and over 70% of plans cover benefits at 100% once the annual deductible is met.
- Other Coverage - More than three-fourths of the plans cover emergency room visits, hospitalization, and lab and x-ray services after the annual deductible is met.
- Out-of-Pocket Limits - More than half of individual HSA plan purchasers selected annual out-of-pocket limits lower than \$5000. Among plans bought by families, over 62% had out-of-pocket limits of less than \$10,000.

Average Monthly Premiums for HSA-Eligible Plans

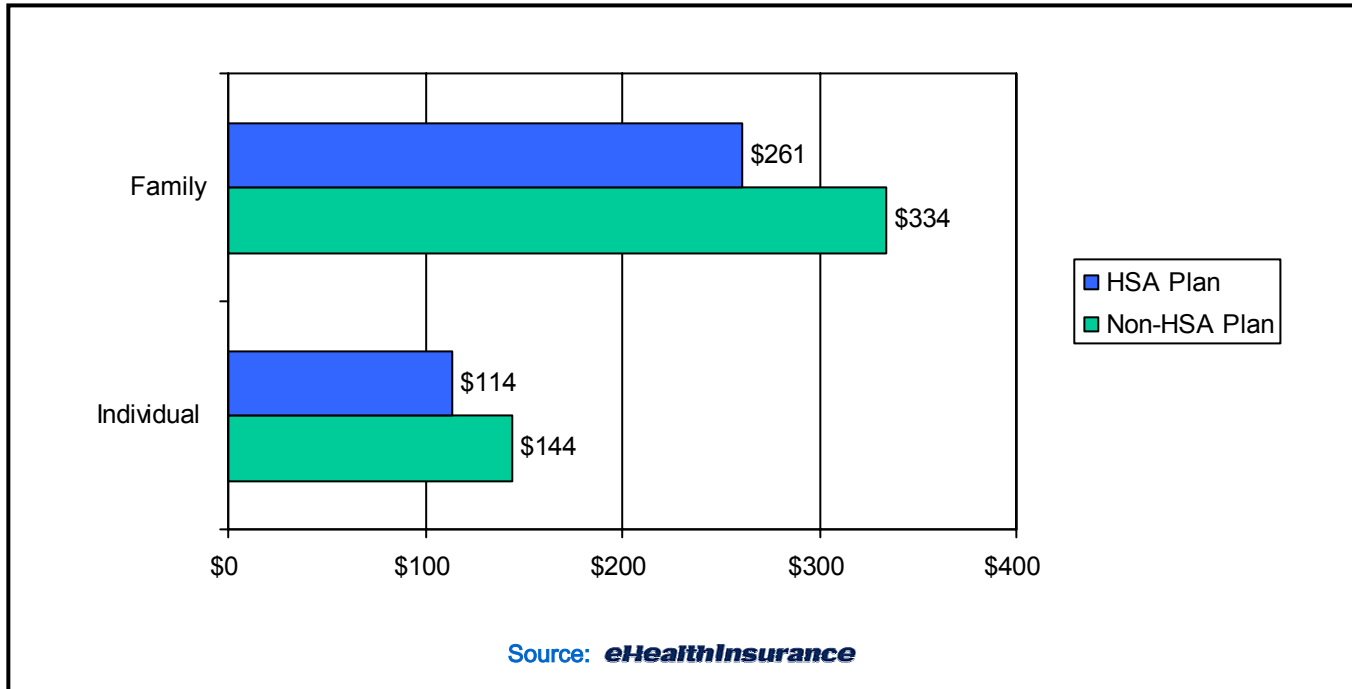
	Average 2004 Premium	Average 2005 Premium	% Change in Premium
Plans covering individuals	\$138	\$114	- 17%
Plans covering families	\$277	\$261	- 6%

Source: **eHealthInsurance**

Individual purchasers paid 17% less in 2005 than in 2004.

Families also paid less for HSA-eligible plans in 2005, spending 6% less than families who purchased in 2004.

2005 Average Monthly Premiums for HSA-Eligible Plans and Non-HSA-Eligible Plans

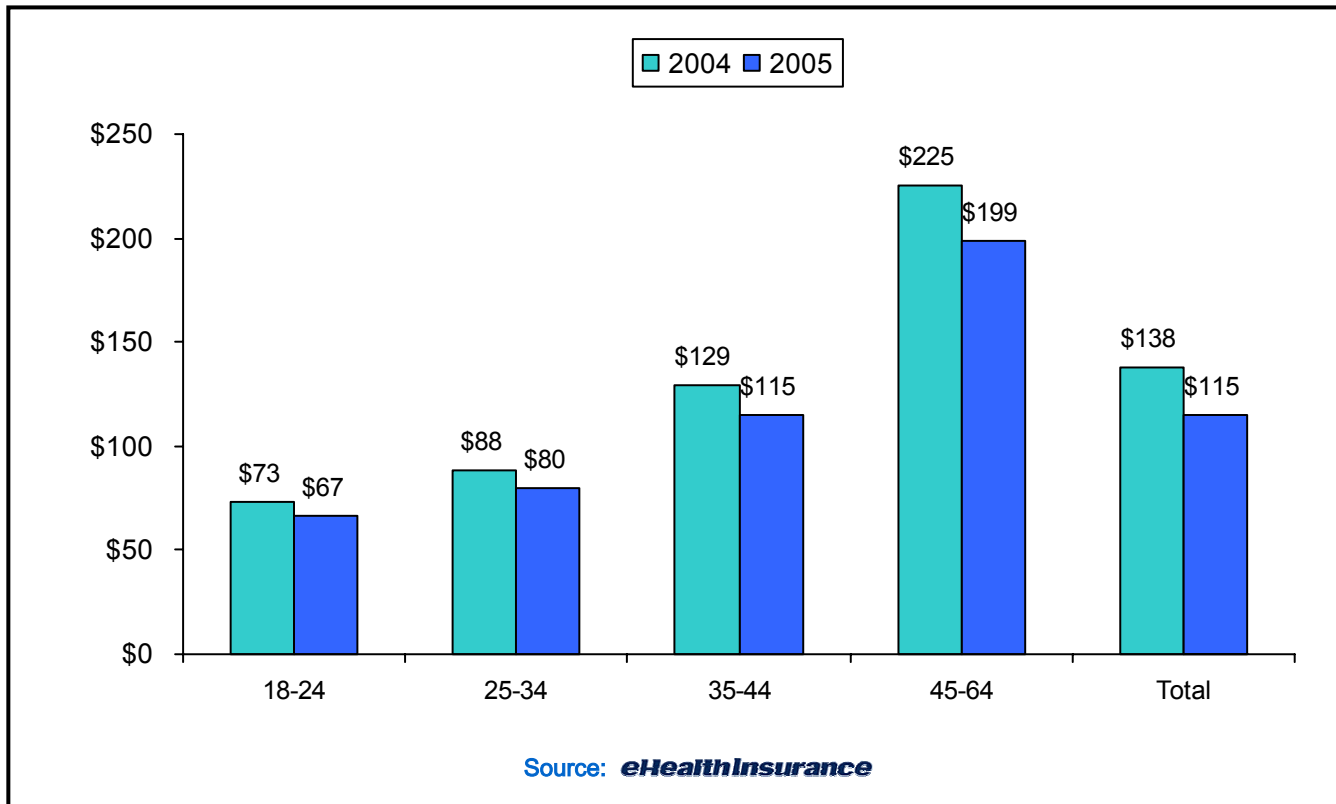


Families and individuals realized premium cost savings when purchasing an HSA-eligible plan compared to a non-HSA-eligible plan through eHealthInsurance.

Families paid an average of \$73 less per month or \$876 less per year, a 21.8% cost savings.

Individuals paid \$30 per month or \$360 per year less, a cost savings of 20.8%.

HSA-Eligible Plans for Individuals: Average Monthly Premium by Age

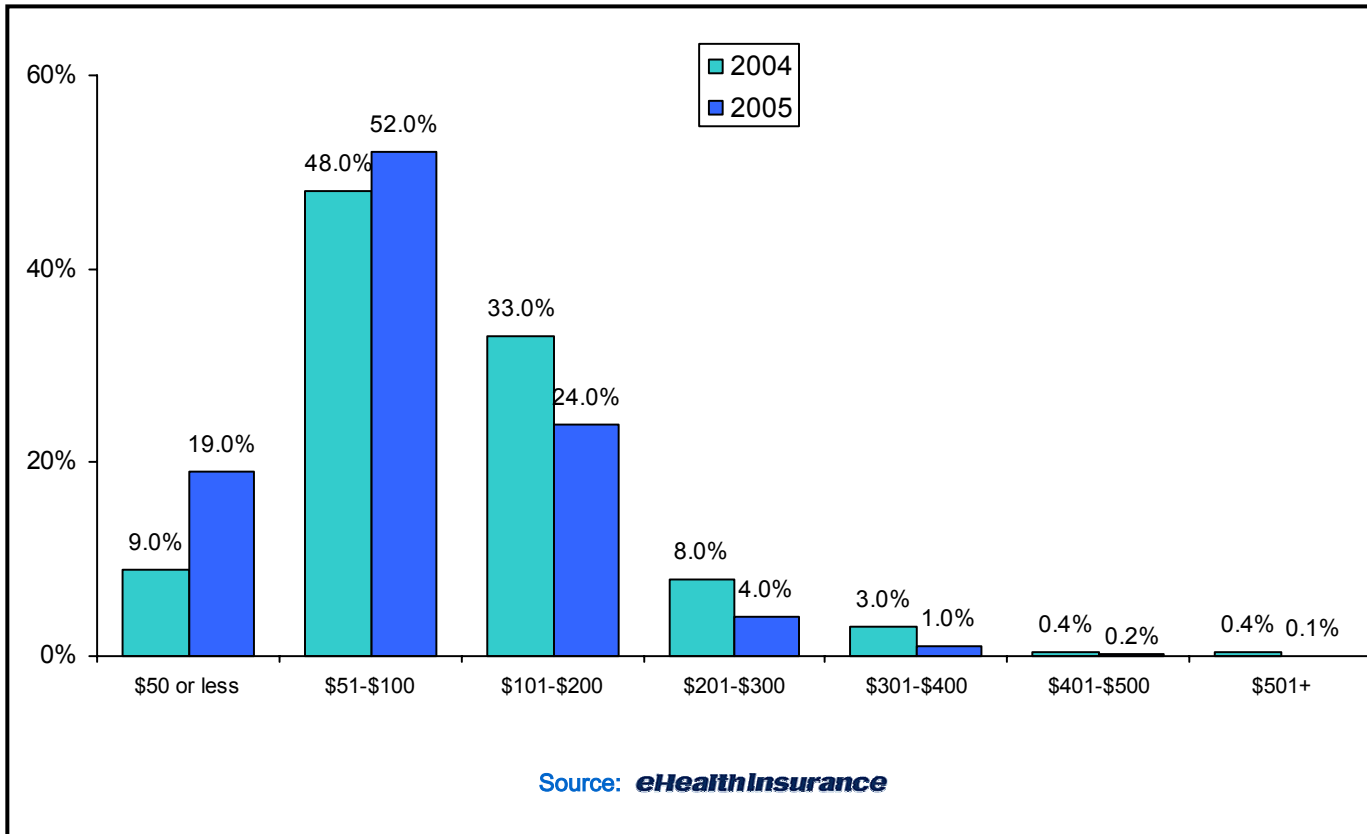


Every age category paid less in 2005 for HSA-eligible plans.

The 45-64 year-old age segment saw the largest reduction in premiums, paying \$26 less per month or \$312 less per year.

Note: This graph represents plans sold to individuals.

HSA-Eligible Plan Premiums Per-Member-Per-Month

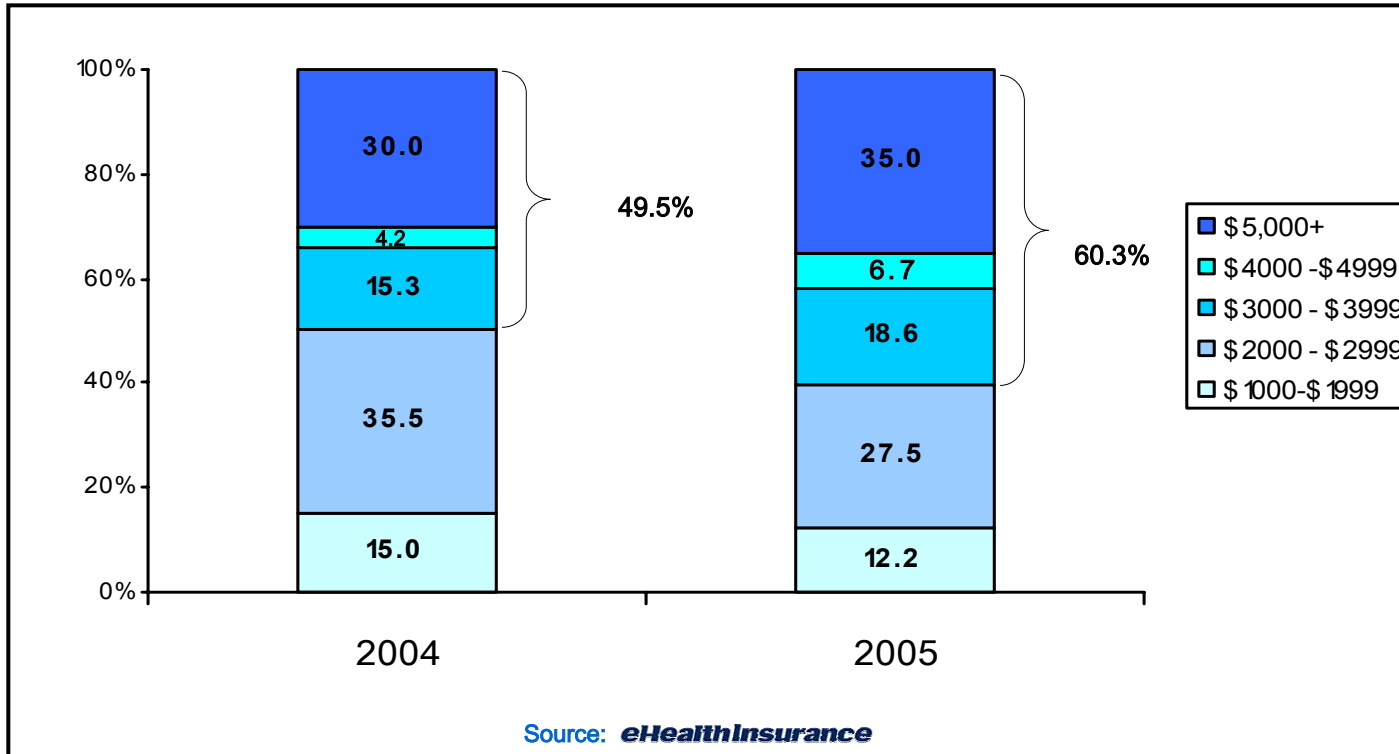


Seventy-one percent of HSA-eligible plans purchased had premiums of \$100 or less per-member-per-month in 2005.

More than twice as many plan purchasers paid \$50 or less for HSA plans in 2005 versus 2004.

In 2005, 95% of HSA plans purchased had premiums of \$200 or less per-member-per-month.

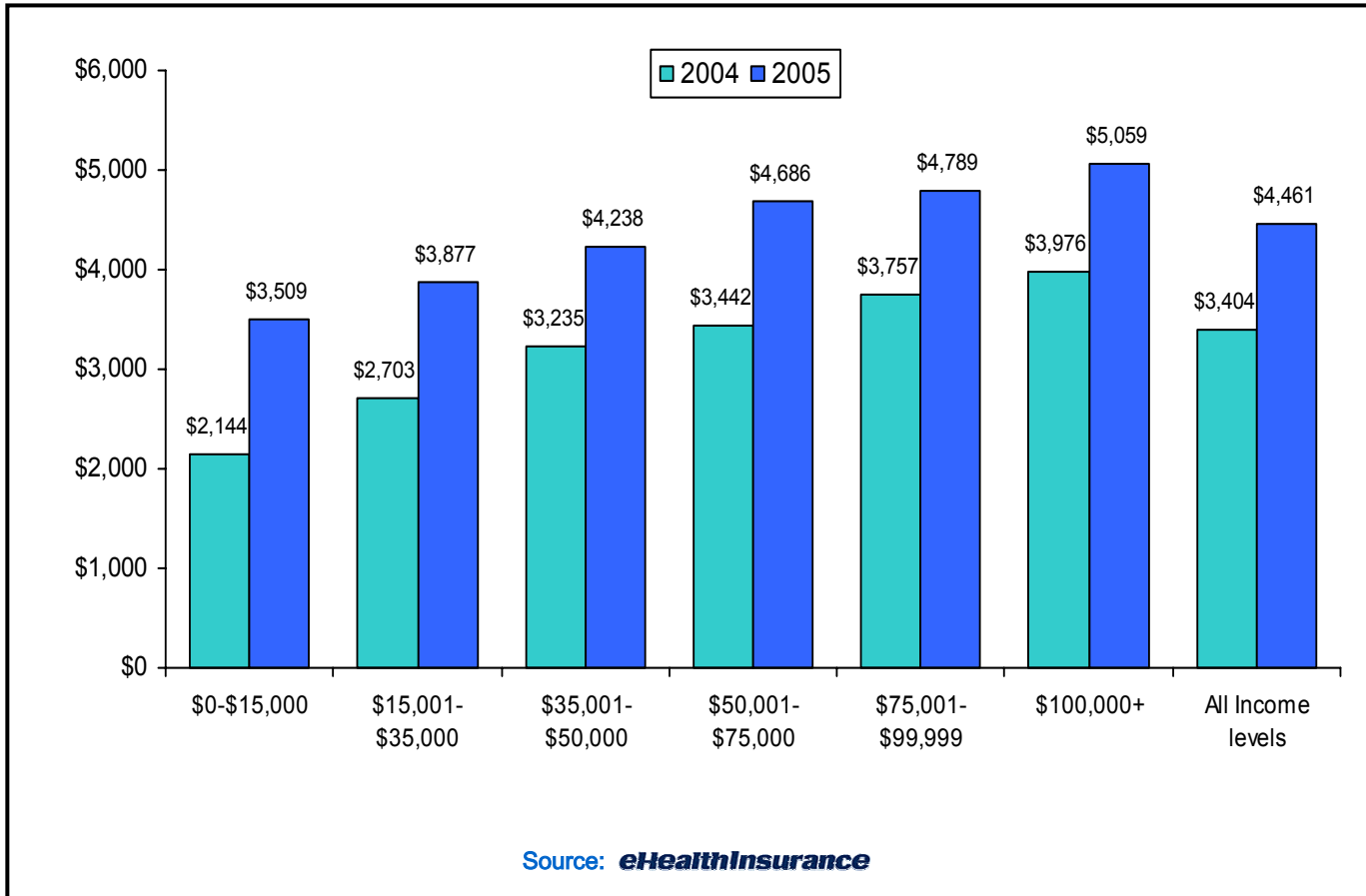
Trends in Annual Deductibles of HSA-Eligible Plans



Purchasers of HSA-eligible plans have been buying higher deductible plans. More than 60.3% of HSA plan purchasers chose deductibles of \$3,000 or higher in 2005 versus 49.5% in 2004.

- HSA plan purchasers more often select plans with higher deductible levels than non-HSA plan purchasers.
 - For plans purchased by individuals, the average deductible level was \$3,190 for a HSA plan compared to \$1,597 for a non-HSA plan.
 - For plans purchased for a family of 3 or more, the annual deductible for a HSA plan was \$5,213 versus \$2,025 for a non-HSA plan.

Average Annual Deductibles of HSA-Eligible Plans by Income Level



Purchasers with higher income levels tended to choose HSA-eligible plans with higher annual deductibles.

Since 2004, the average annual deductible of HSA plans has increased 31%, from \$3,404 to \$4,461.

In 2005, the lowest income segment showed the largest percentage increase in deductible levels.

Benefits Typically Included in HSA-Eligible Plans*

Benefit	0% Co-Insurance	20% Co-Insurance	30% Co-Insurance	50% Co-Insurance	No Coverage	Other
Office Visits	69%	16%	3%	-	12%	-
Prescription Drug Benefits	71%	5%	3%	1%	17%	3%
Hospitalization, and Lab and X-Ray Services	79%	18%	3%	-	-	-
OB/GYN Visits	79%	18%	3%	-	1%	-
Emergency Room Service	79%	18%	3%	-	-	-

Source: **eHealthInsurance**

In addition to features such as premiums, deductible levels and out-of-pocket maximums, there are other plan benefits consumers consider when purchasing health insurance coverage. The table above shows some of those benefits listed in the first column. Going across, each row shows the percent of HSA plans purchased that cover each benefit at various co-insurance levels**.

* The benefits listed are commonly covered after the annual deductible is met and may require co-payments.

** Co-insurance is the percent the plan holder is responsible for paying.

Looking at 2005 benefits for HSA-eligible plans after deductibles are met:

- Over two-thirds cover office visits.

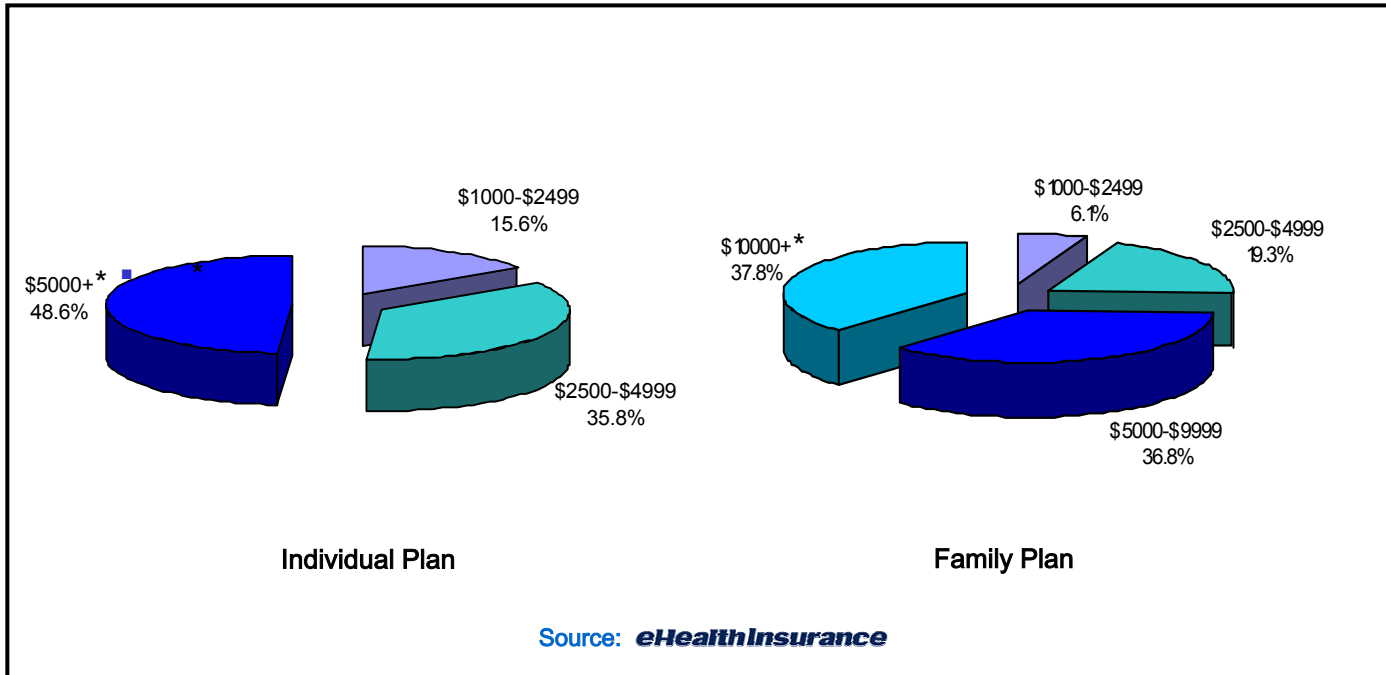
- Seventy-one percent offer prescription drug benefits.

- Seventy-nine percent cover hospitalization, and lab and X-ray services.

- More than three-fourths cover OB/GYN office visits.

- Seventy-nine percent pay for 100% of emergency room services.

2005 Annual Out-of-Pocket Maximum for HSA-Eligible Plans



More than half of individual HSA-eligible plan purchasers selected annual out-of-pocket limits lower than \$5000.

Among plans bought by families, over 62% had out-of-pocket limits of less than \$10,000.

* Note: \$5,100 is the maximum out-of-pocket allowable for HSA-eligible plans sold to individuals and \$10,200 is the maximum for plans sold to families.

Methodology

- “Health Savings Accounts: January 2005 – December 2005” is based on a random sample of more than 12,000 HSA-eligible plans purchased between January 1 and December 31, 2005 through www.eHealthInsurance.com by individuals and families across the U.S. Depending on data available, the sample sizes for various charts may be smaller. This report also draws from the 2004 report for comparisons.
- The term “HSA-eligible health insurance plans” is defined as those health insurance plans designated by health insurance companies to be in concurrence with U.S. Department of the Treasury HSA guidelines. In 2005, these included:
 - Deductibles* of a minimum of \$1,000 for individuals and \$2,000 for families, and
 - Out-of-pocket limits** of \$5,100 for individuals and \$10,200 for families per year.
- This report does not address consumers’ participation in the Health Savings Account banking portion of a HSA program.
- Premium data included in this report is based on actual premiums paid by individuals and families who purchased plans through eHealthInsurance.com. The premiums shown in this report are not quoted premiums.

Notes:

* “Deductible” is the amount of money a plan holder must pay each year to cover medical care expenses before an insurance policy starts paying. Higher deductibles usually result in lower monthly premiums.

** “Out-of-pocket limit” is the dollar amount set by an insurance company, representing the maximum amount a member is required to pay out of his or her own pocket for particular health care services during a particular time period.