

# Indiana HSA Success a Lesson for Other States

By Thomas Cheplick

More than 50 percent of state government employees in Indiana have health savings accounts, the nation's highest state employee participation rate in such consumer-directed health plans. The average participation rate in other states is just 2 percent.

Chris Atkins, general counsel and policy director of the Indiana Office of Management and Budget, explains Gov. Mitch Daniels (R) was able to achieve such a high employee participation rate by rescinding collective bargaining rights for state employees at the outset of his administration.

"One of Gov. Daniels' first acts upon assuming office was to rescind collective bargaining rights for state employees, a major obstacle to HSA adoption in Indiana," Atkins said.

## Led Way Personally

Daniels and his family sent a signal to state employees by being the first in Indiana's state government to open a state HSA. The governor also sent state employees a personal letter outlining the benefits of consumer-directed health plans (CDHPs), encouraging them to look closely at this option.

Anita Samuel, Indiana's assistant general counsel, notes the governor has been encouraging Indiana's state employees to open HSAs since 2005.

"Gov. Daniels introduced an innovative, consumer-driven health care option for state employees for plan year 2006," Samuel said. "The goal of the consumer-driven plan was to improve health outcomes and make more efficient use of health care dollars over the long term by empowering employees to keep themselves and their families healthy."

The initiative consists of a traditional health plan with a health savings account tied to it. The plan's deductibles are \$2,500 for individual coverage and \$5,000 for a family plan. Preventive services are not subject to the deductible.

Employees pay nothing toward the plan's premium. The state deposits \$1,500 for individuals and \$3,000 for families into the employee's health savings account every year. Employees are encouraged to make additional tax-free contributions into their accounts.

## Employees Own Accounts

Employees who leave state government take their HSAs with them.

"Because HSA contributions become the property of the subscriber, the employee has a vested interest in how he or she spends one's dollars. Unspent balances roll over each successive year and continue to accumulate as long as the employee is enrolled in an HSA-qualified health plan," Samuel said.

Samuel says Indiana's HSA plan saves the state's taxpayers millions.

"Among the state's goals for embracing the CDHP-HSA concept and providing a sizeable incentive are to encourage improvement in the long-term health of the



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**ANITA SAMUEL  
ASSISTANT GENERAL COUNSEL  
STATE OF INDIANA**



employee population as well as the health of their families, to efficiently utilize personal funds for the purchase of medical services, and to lower the state's ever-rising [government spending] trend line," Samuel said.

"The state has estimated savings of \$42 million since introducing innovative consumer-driven plans to state employees," Samuel noted.

## Additional Choice Offered

Indiana's state personnel director followed up on Daniels' promotion of the HSA plan with several communication pieces, and nearly 200 educational meetings were conducted around the state to provide information to all employees about the plan. Anthem, the plan's third-party administrator, and Tower Bank, which holds the HSAs, made representatives available at the meetings to answer employees' questions.

In the second year of the program, Daniels authorized the introduction of a second consumer-driven plan with a lower deductible, to provide a more afford-

able choice with reasonable risk. And in January 2009 he authorized prefunding one-half the state's contribution at the time of each employee's first paycheck in January. Employees receive the other half in equal biweekly installments.

Daniels' decision to prefund the accounts is seen as an important reason for the state's high employee participation rate.

## Advocated for Other States

Taxpayers in cash-strapped Michigan or California could save hundreds of millions of dollars while providing good health care options for their state employees under a consumer-directed plan, says Joseph Antos, an HSA expert at the American Enterprise Institute in Washington, DC. One of the reasons HSAs lower health care costs so dramatically is because they get people involved in their care, he explains.

"HSAs give people a real reason to ask their physician, 'What is this procedure likely to cost?' or 'What is the effectiveness of this treatment you are recommending versus this other treatment for me?' If we could get the American people to start asking those two questions, our nation would find major efficiencies in our health system—more than people think would come from new laws instituted in Washington," Antos said.

"Governor Daniels continues to be a strong advocate for the consumer-driven plans," Samuel said. "He believes that individuals should have the freedom to make the first dollar choice themselves and individuals should be trusted to become good consumers when given the ability."

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