



Transcript of Professor Sydnor's Video Overview for Family Coverage

Welcome:

Hello, I'm professor Justin Sydnor. I'm an economist and professor of risk and insurance at the University of Wisconsin, Madison. I study health insurance options and want to give you an overview of how I think about the trade-offs between the high deductible health plan and the non high deductible health plan options in the State of Wisconsin Group Health Insurance Program.

Who this video is for:

Before I start, a quick note on who this video is for and what it covers. This video is intended for active State of Wisconsin Employees who plan to enroll in Family Coverage for 2025. It is not intended for retirees and annuitants, University of Wisconsin Graduate Students or employees that work for local employers such as counties, towns or school districts.

What aspects of health plan choice do we discuss:

The State of Wisconsin Group Health Insurance program has four plan designs. I will discuss the most commonly chosen plan designs: the High Deductible Health Plan (HDHP) and IYC Health Plan (non-HDHP). There are also options to enroll in the Access Plan and Access HDHP, which give access to a broader network of doctors and hospitals at a higher cost. I will not specifically discuss those plans, but the considerations presented here are similar for those options.

Similarities between HDHP and IYC Health Plan (non-HDHP):

Most of the features of the HDHP and non-HDHP plan designs are the same. The same doctors and hospitals are available in network because all of the insurance companies in the state program offer both plan designs. Both options provide coverage for the same health services, in particular routine preventative care and some preventative drugs and vaccines are fully covered with no cost to you under both plan designs.

What differs between the plan designs?:

So in this video I'll quickly cover what I see as the key things that do differ between the plans. These include the tradeoffs between premiums and out-of-pocket costs, the Health Savings Account that goes with the HDHP and the employer contribution to that Health Savings account, along with a few additional considerations.

Financial comparison of the options:

Let's start with a basic financial comparison. The High Deductible Health Plan has two sources of savings. First, with the high deductible health plan, you pay lower family premiums each month. You save \$193 a month, which adds up to \$2,316 for the year. Second, with the HDHP, your employer will also put \$137 per month into your health savings account, adding up to \$1,650 for the year. Combined, the premium savings and employer contributions to your HSA add up \$3,966 for the year.

The trade off is that with the high deductible health plan, you will generally pay more out of pocket when you get healthcare. The deductible is \$2,800 higher and you will have to pay the full cost for office visits and drugs instead of copays until you reach the deductible. The out of pocket limit for the year is \$2500 higher with the HDHP. How much more you'll pay out of pocket depends on exactly what healthcare you will need and is affected by how the different plan designs combine medical costs and prescription drugs. For most families, though, the worst case would be \$3,000 higher out of pocket costs with the HDHP.

Now that has an important bottom line. It means that nearly all families will save money overall with the HDHP over the year. This is true even for families that are likely to need a lot of healthcare and will hit the out-of-pocket limits. The reason is that the savings on premiums and the employer contributions to your HSA are more than the worst-case increase in out-of-pocket costs. My estimates are that almost all families will save more than \$1000 per year with the HDHP and most will save over \$2000.

Understanding the Health Savings Accounts that go with HDHP:

If you choose the high deductible health plan, you also have to set up a health savings account or HSA. Money that goes into your HSA and any interest or investment earnings are all tax free as long as you use the money to pay for healthcare expenses. Here are the key things that you need to know about the HSA:

1. First, you decide how much to contribute to your health savings account – anything from zero up to a limit set by the IRS each year. Your contributions are withdrawn from your paychecks along with your health insurance premiums and HSA contributions are deposited directly into your HSA. The employer contributions to the HSA are also deposited with your paychecks.
2. Money in the HSA is yours. It stays with you if you change plans or if you leave your job.
3. Money in your HSA also rolls over at the end of the year. You don't have to use it all in the year. This makes it different from a flexible spending account, or FSA that all has to be used during the year.
4. You get a payment card with your HSA and can use your funds to cover deductibles and co-pays, but also to pay for some qualifying dental, vision, and even over the counter medicines and supplies.
5. The money in your HSA earns interest. Once your balance reaches \$1,000, you may invest any funds above that level in a variety of HSA investment options with varying levels of related risk and returns.

There are some rules on eligibility for HSA accounts. So if you are thinking about signing up for the high deductible health plan, check those rules on the ETF website.

Some other factors to consider:

Now, despite the potential savings, the high deductible health plan is not right for everyone. There are some other factors to consider.

1. First, it's important to consider how your family manages its budget. The premium savings and employer HSA contributions grow steadily through the year. But if you have an accident or develop a serious illness, you can get much larger bills with the HDHP all at once. Those bills can be hard to handle, especially early in the year, unless you set aside money to pay them.
2. Second, while the health savings account has some tax and investment benefits, some people find monitoring and managing a new financial account stressful or challenging and might not want to deal with the HSA.
3. Third, for some people getting bigger out of pocket bills and needing to think about money when their family needs Healthcare is simply stressful and unpleasant.
4. Finally, the facing higher out of pocket costs can also lead some families with HDHPs to avoid going to the doctor or hospital even when they really need care. If the idea of needing to pay a larger out of pocket bill will keep your family from getting care when you need it, you may want to consider the non-HDHP health plan design instead.

The choice is yours:

Ultimately, the decision between the health insurance plan designs is a personal one. I hope this video has helped provide some useful ways to think about the trade-offs that will help you make the decision that's right for your family. I encourage you to take a look at the detailed cost projections comparing the options available on our website.