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# CDHP and HSA Market Opportunity

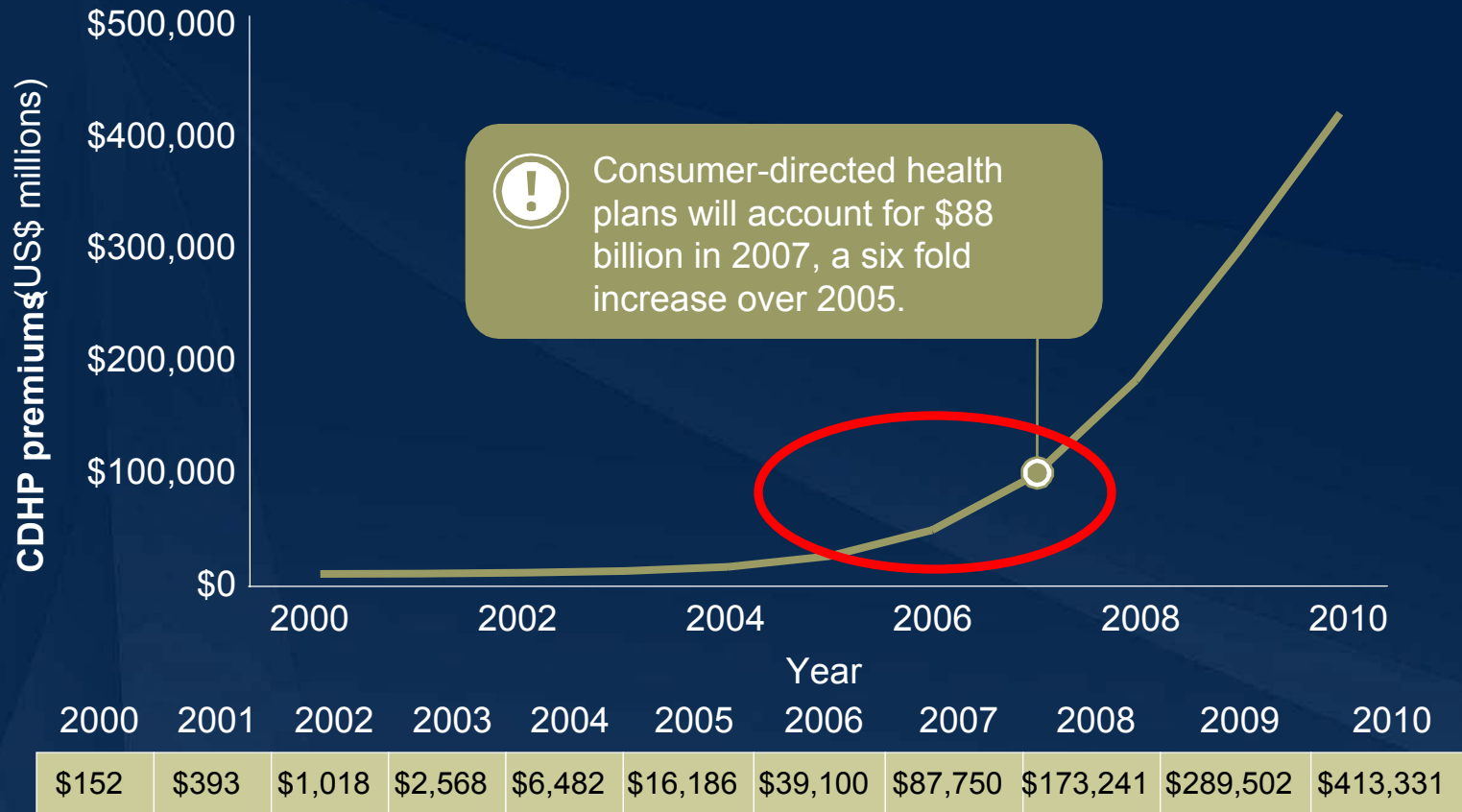
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October 13, 2005

# Theme

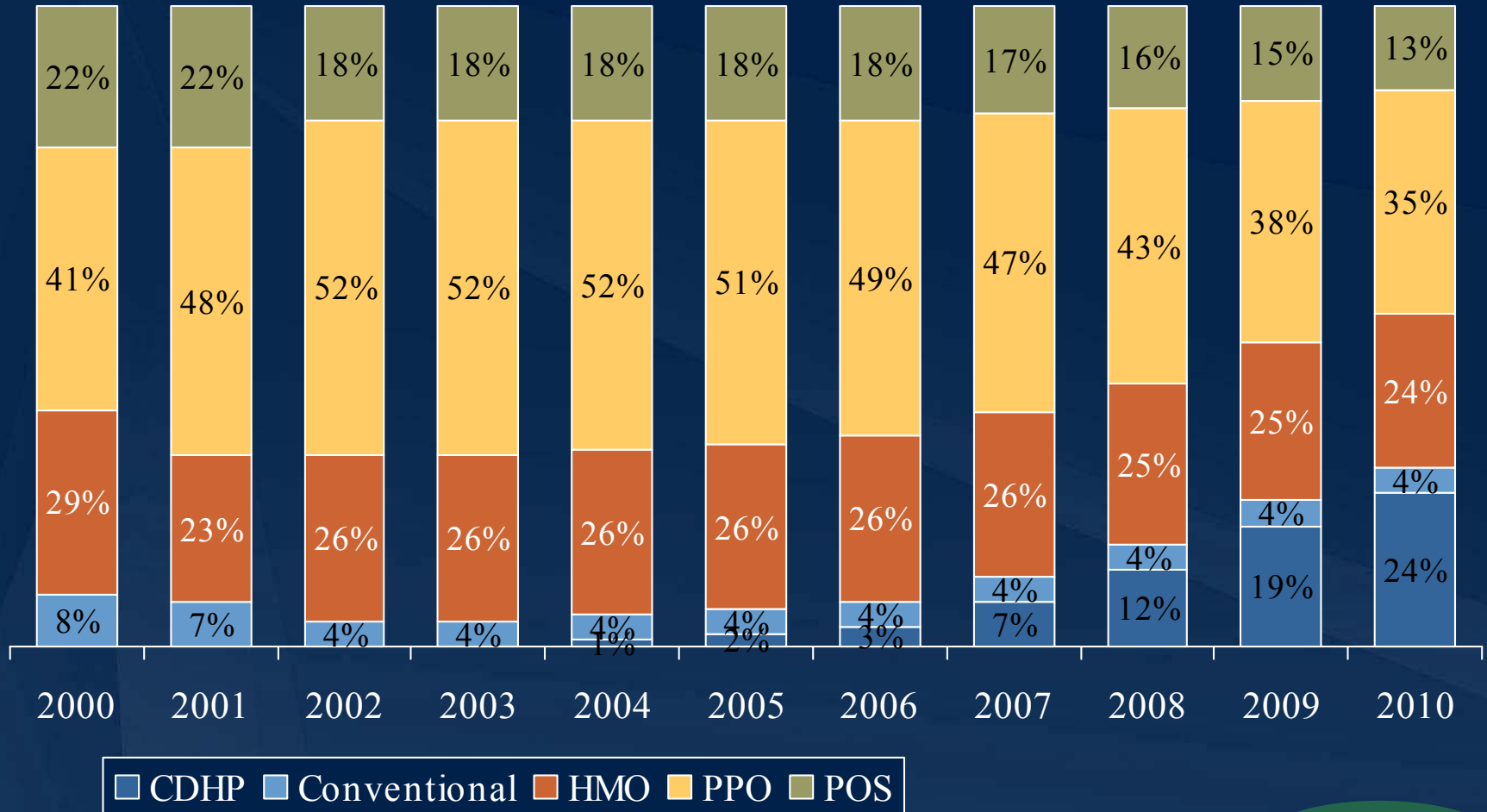
The market opportunity is large and growing — but CDHP leaders will differentiate on service and advocacy

# CDHP enrollment will reach 12 million members — and \$88 billion in premium revenues — in 2007...



Total annual revenues from consumer-directed health plans, in premiums and premium equivalents paid by employers and employees

... doubling each year from now until then, when it reaches almost 7% of the market

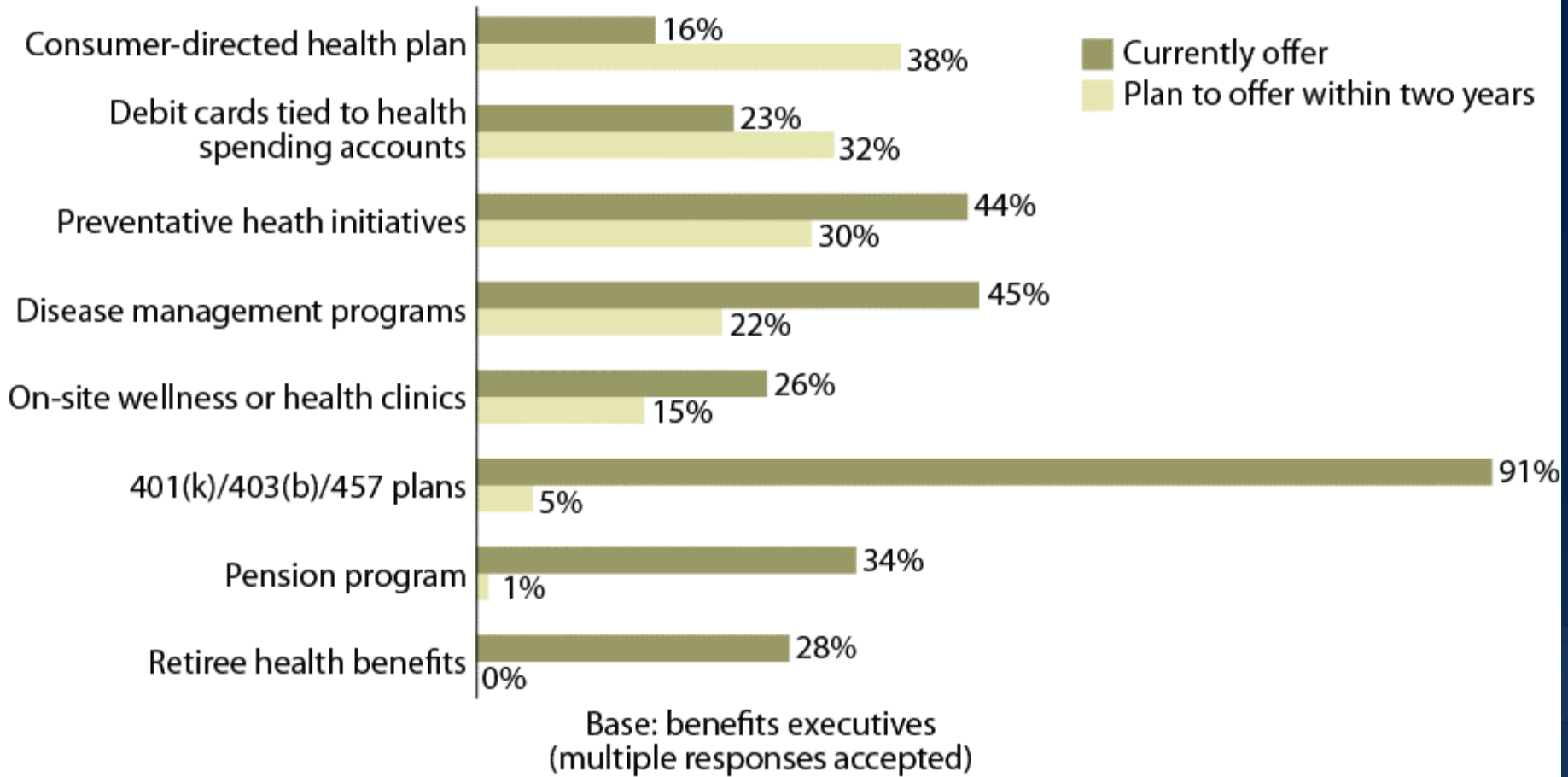


# Trends affecting the CDHP opportunity

- Early and positive CDH results (Aetna, Humana, Definity, Destiny)
- Continuing double-digit cost trends
- Growing employer enthusiasm for CDH
- HSAs as a tax-favored investment

# CDHP is in the cards for most employers, ...

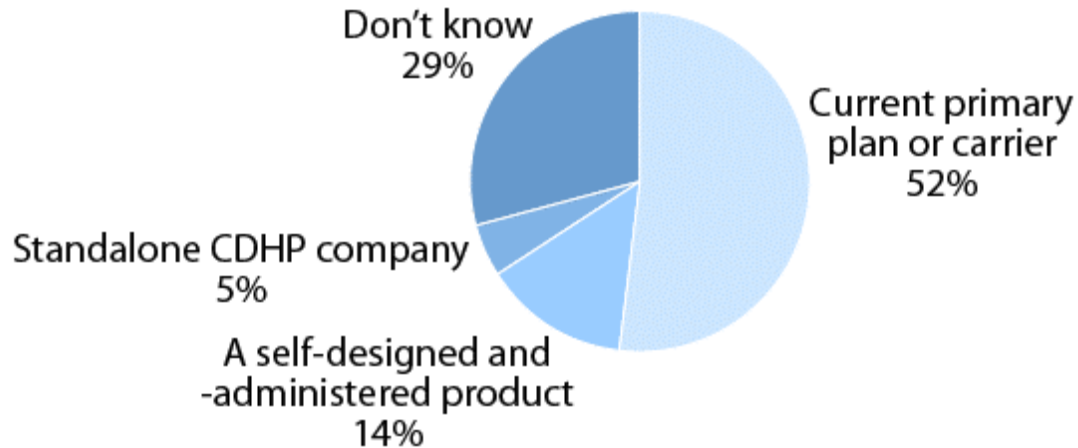
**"Does your company offer or plan to offer any of the following employee benefits?"**



Source: Employee Benefit News/Forrester Research 2005 Benefits Strategy And Technology Study

# ... And most will turn to their current carriers

**“Who is likely to be the vendor of your CDHP?”**



Base: employers that plan to offer a CDHP within two years

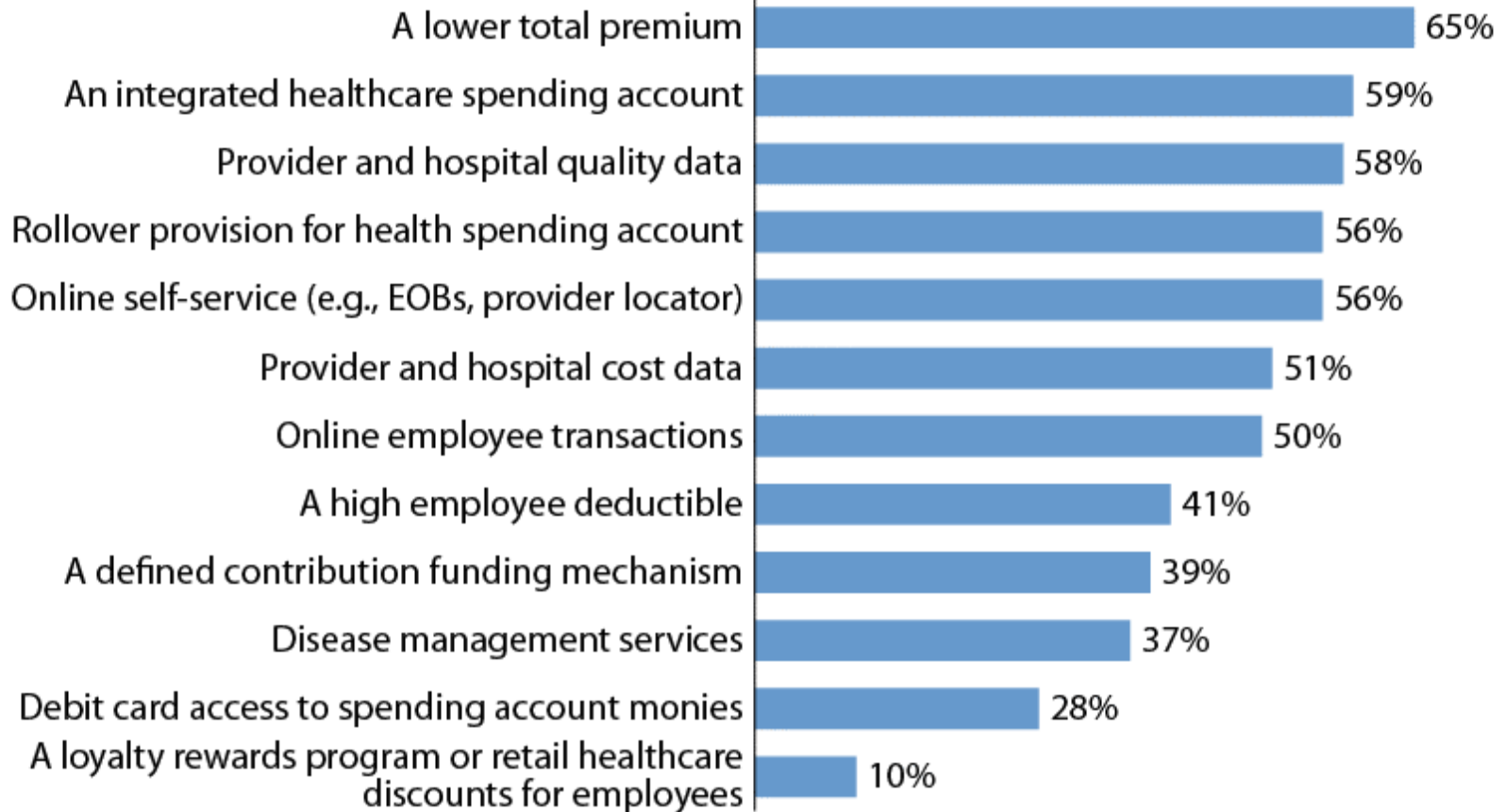
Source: Employee Benefit News/Forrester Research 2005 Benefits Strategy And Technology Study

From **Employers Sound Off On CDHPs**, May 2005

# Employers are looking for lower premiums, integrated accounts, and provider quality data

"How important were the following features when you were evaluating CDHP vendors or products?"

Extremely important:



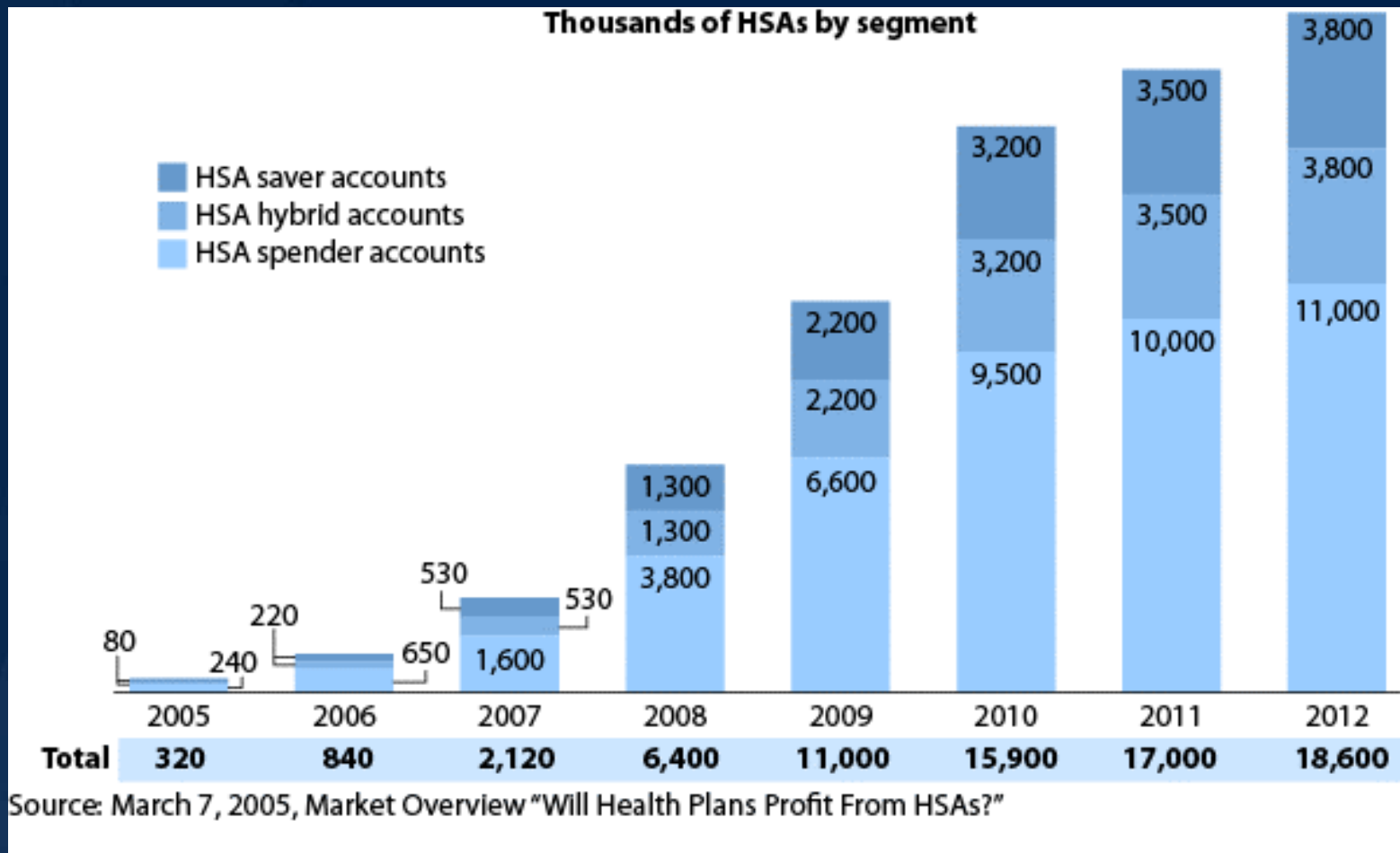
Base: employers that currently offer or plan to offer CDHP within two years

Source: Employee Benefit News/Forrester Research 2005 Benefits Strategy And Technology Study

# Drivers of HSA Growth

Driver	Assumptions	Impact
<b>CDHP Enrollment</b>	<ul style="list-style-type: none"> <li>• 1.5% of comm'l market in 2005 (2.7 million enrollees)</li> <li>• 7% of comm'l market in 2007 (12 million enrollees)</li> </ul>	<ul style="list-style-type: none"> <li>• Number of HSAs</li> </ul>
<b>CDH Plan Design (HRA vs. HSA)</b>	<ul style="list-style-type: none"> <li>• 20% of CDHP enrollees in HSA plans in 2005</li> <li>• 30% in 2007</li> <li>• 60% in 2012</li> </ul>	<ul style="list-style-type: none"> <li>• Number of HSAs</li> </ul>
<b>Consumer Behavior (savers vs. spenders)</b>	<ul style="list-style-type: none"> <li>• 20% HSA savers (high balance, low transactions)</li> <li>• 60% HSA spenders (low balance, high transactions)</li> <li>• 20% "hybrids" (medium balance, high transactions)</li> </ul>	<ul style="list-style-type: none"> <li>• Assets in HSAs</li> <li>• Transactions from HSAs</li> </ul>

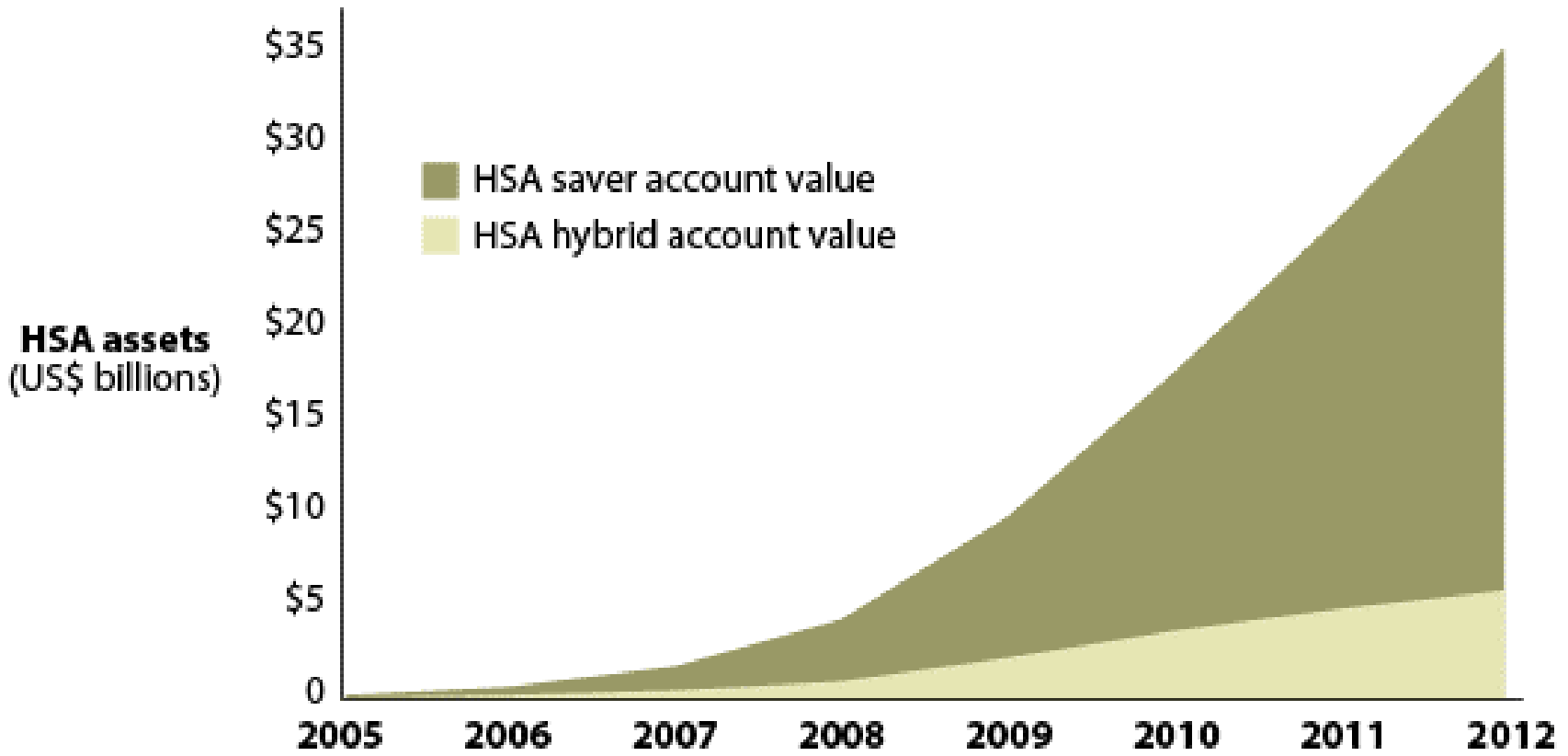
# By 2007, CDHP members will open more than 2 million health savings accounts...



July 2005, Best Practices "Health Plans' CDHP Tool Kit"

# ... Accumulate almost \$2B in assets, driven by HSA savers, ...

Account value of HSAs by segment

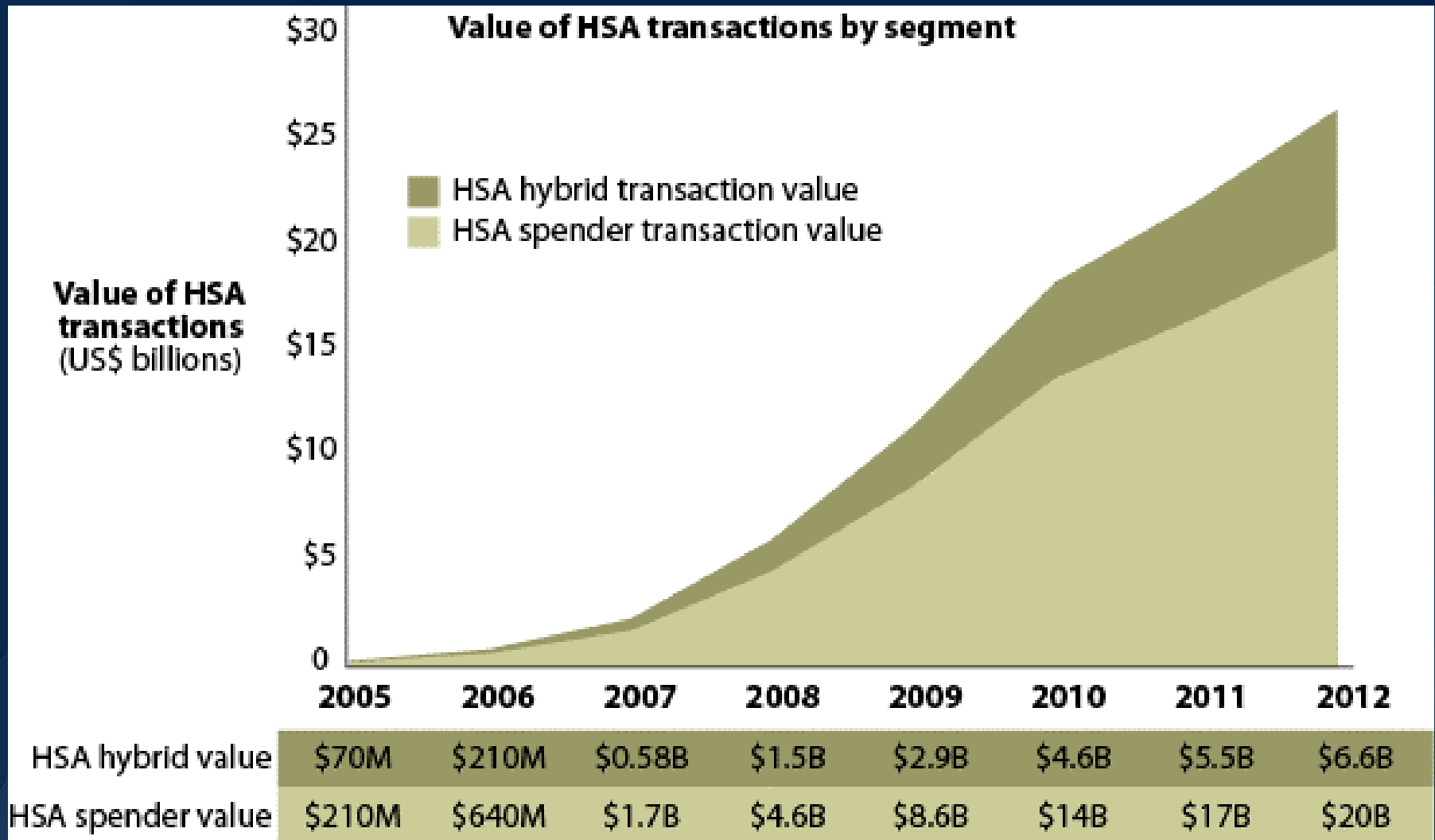


	2005	2006	2007	2008	2009	2010	2011	2012
HSA saver value	\$120M	\$470M	\$1.4B	\$3.6B	\$7.6B	\$14B	\$21B	\$29B
HSA hybrid value	\$52M	\$190M	\$0.5B	\$1.2B	\$2.2B	\$3.5B	\$4.6B	\$5.7B

From Will Health Plans Profit From HSAs?, March 2005



# ... And spend more than \$3 billion in HSA-related transactions, driven by HSA spenders

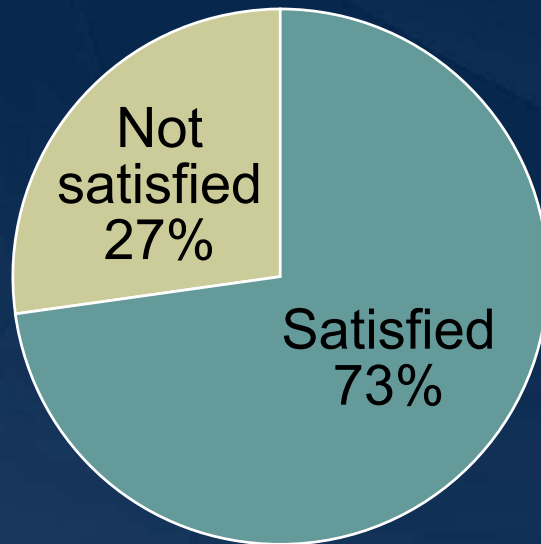


From Will Health Plans Profit From HSAs?, March 2005

# Health plan members are not satisfied, ...

Overall, how satisfied are you with the firm you consider your:  
(satisfied: 4 or 5)

**Primary bank:**



**Primary health insurance provider:**

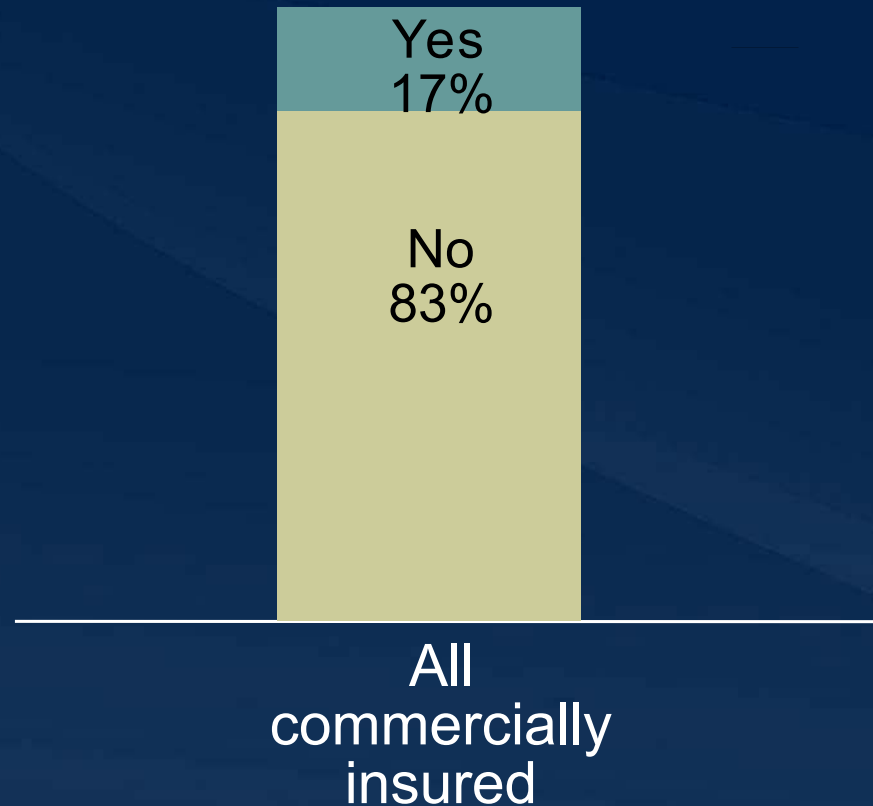


Base: non-elderly online US consumers

Source: Forrester's Consumer Technographics® Q4 2003 North American Study and Forrester's Consumer Technographics® August 2004 Healthcare Online Study

# Do not trust their health plans,...

“I trust my health plan’s guidance on what care and medications are right for me and my family”



Base: non-elderly online US consumers

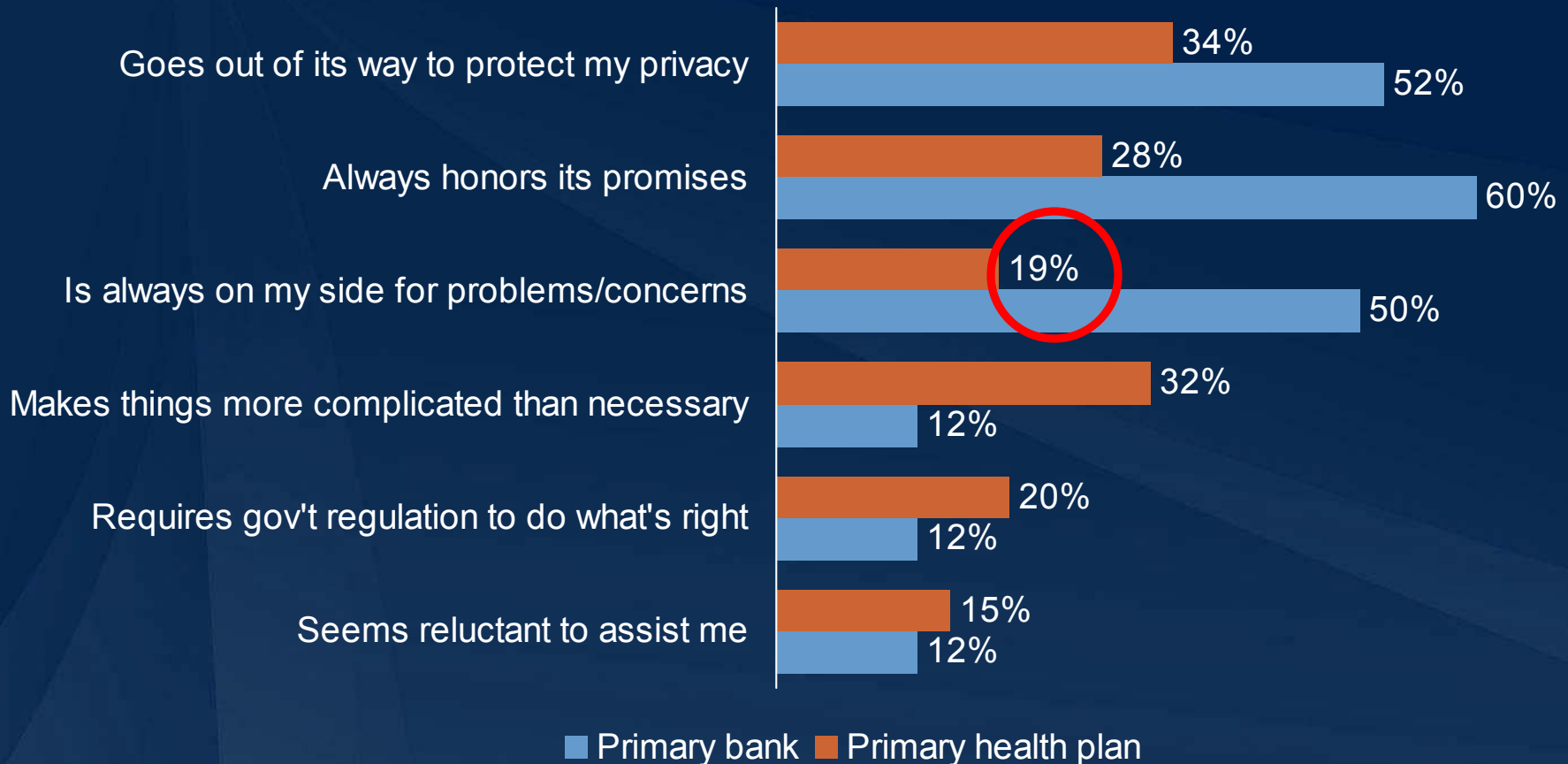
Source: Forrester's Consumer Technographics® August 2004 Healthcare Online Study

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# ... And do not consider their plans as advocates

“How much do you agree or disagree with the following statements?”  
(1 [strongly disagree] to 5 [strongly agree])

Agree (4 or 5)



Base: US non-elderly online consumers

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Source: Forrester's Consumer Technographics® August 2004 North American Healthcare Online Study

# Service and advocacy are opportunities for CDHP differentiation

- Advocacy requires
  - » Simplicity
  - » Transparency
- Service requires
  - » Cross channel, cross entity collaboration
    - Exceptional trust (internal and external)
    - Open systems
  - » Relentless people and process refinement

# Summary

- The CDHP movement has been catalyzed by HSAs
- The numbers are smaller than the broader market implications
- Employers' CDHP plans are ahead of consumer readiness
- Health plans face significant near-term implementation challenges
- CDHPs must attack fundamental service and consumer experience flaws to compete in the evolving marketplace
- Consumer advocates will win long-term favor and influence

# Thank you

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