



# The Impact of Expanding Pre-Deductible Coverage in HSA-Eligible Health Plans

Paul Fronstin, Ph.D.

Employee Benefit Research Institute

May 24, 2023



# U.S. DEPARTMENT OF THE TREASURY

## PRESS RELEASES

# Treasury Expands Health Savings Account Benefits for Individuals Suffering from Chronic Conditions

E

---

## List of Services and Drugs for Certain Chronic Conditions Classified as Preventive Care Under Notice 2019-45

| <b>Preventive Care for Specified Conditions</b> | <b>For Individuals Diagnosed with</b>                              |
|-------------------------------------------------|--------------------------------------------------------------------|
| Angiotensin Converting Enzyme (ACE) inhibitors  | Congestive heart failure, diabetes, and/or coronary artery disease |
| Anti-resorptive therapy                         | Osteoporosis and/or osteopenia                                     |
| Beta-blockers                                   | Congestive heart failure and/or coronary artery disease            |
| Blood pressure monitor                          | Hypertension                                                       |
| Inhaled corticosteroids                         | Asthma                                                             |
| Insulin and other glucose lowering agents       | Diabetes                                                           |
| Retinopathy screening                           | Diabetes                                                           |
| Peak flow meter                                 | Asthma                                                             |
| Glucometer                                      | Diabetes                                                           |
| Hemoglobin A1c testing                          | Diabetes                                                           |
| International Normalized Ratio (INR) testing    | Liver disease and/or bleeding disorders                            |
| Low-density Lipoprotein (LDL) testing           | Heart disease                                                      |
| Selective Serotonin Reuptake Inhibitors (SSRIs) | Depression                                                         |
| Statins                                         | Heart disease and/or diabetes                                      |

# EBRI

October 14, 2021 • No. 542

# Issue

BRIEF

## **Employer Uptake of Pre-Deductible Coverage for Preventive Services in HSA-Eligible Health Plans**

*By Paul Fronstin, Ph.D., Employee Benefit Research Institute and A. Mark Fendrick, M.D., University of Michigan*

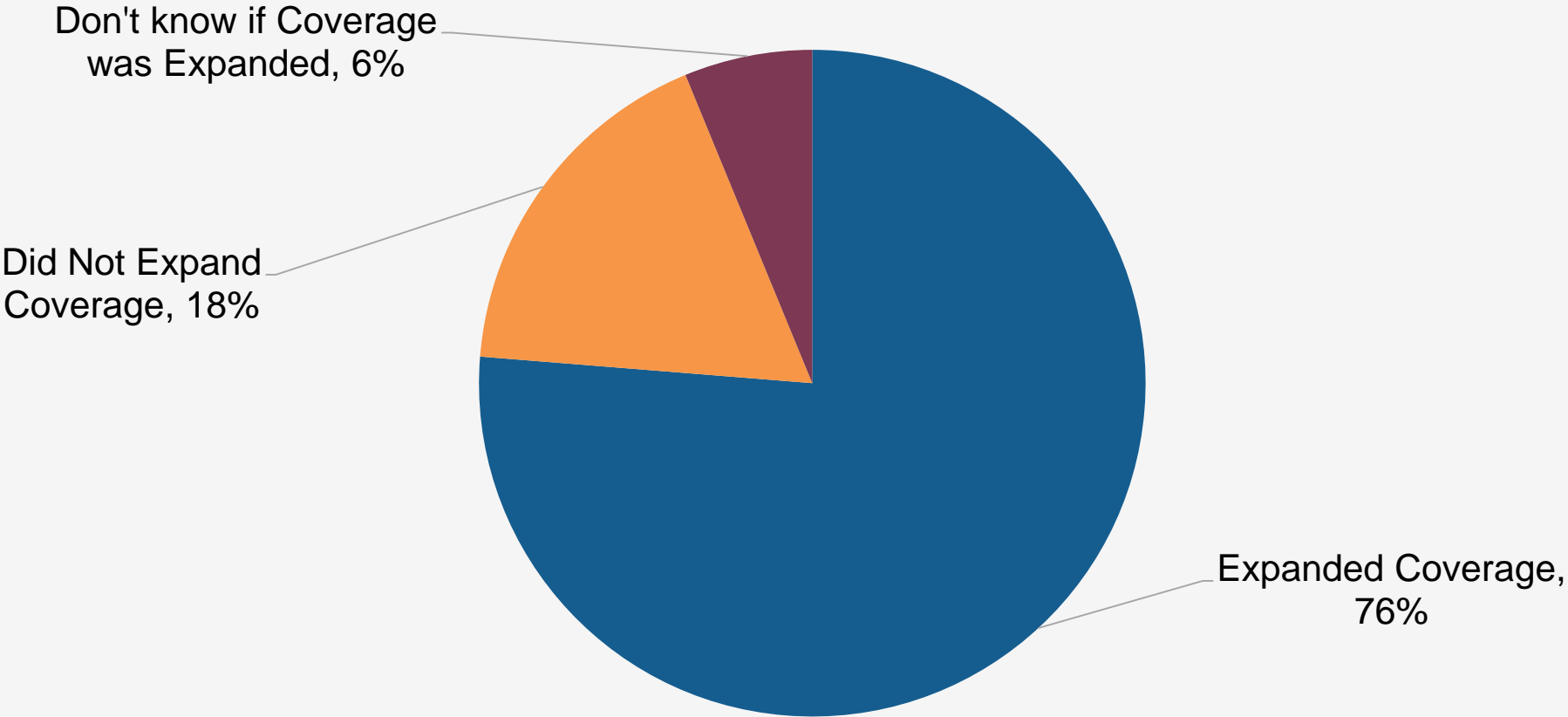
---

### AT A GLANCE

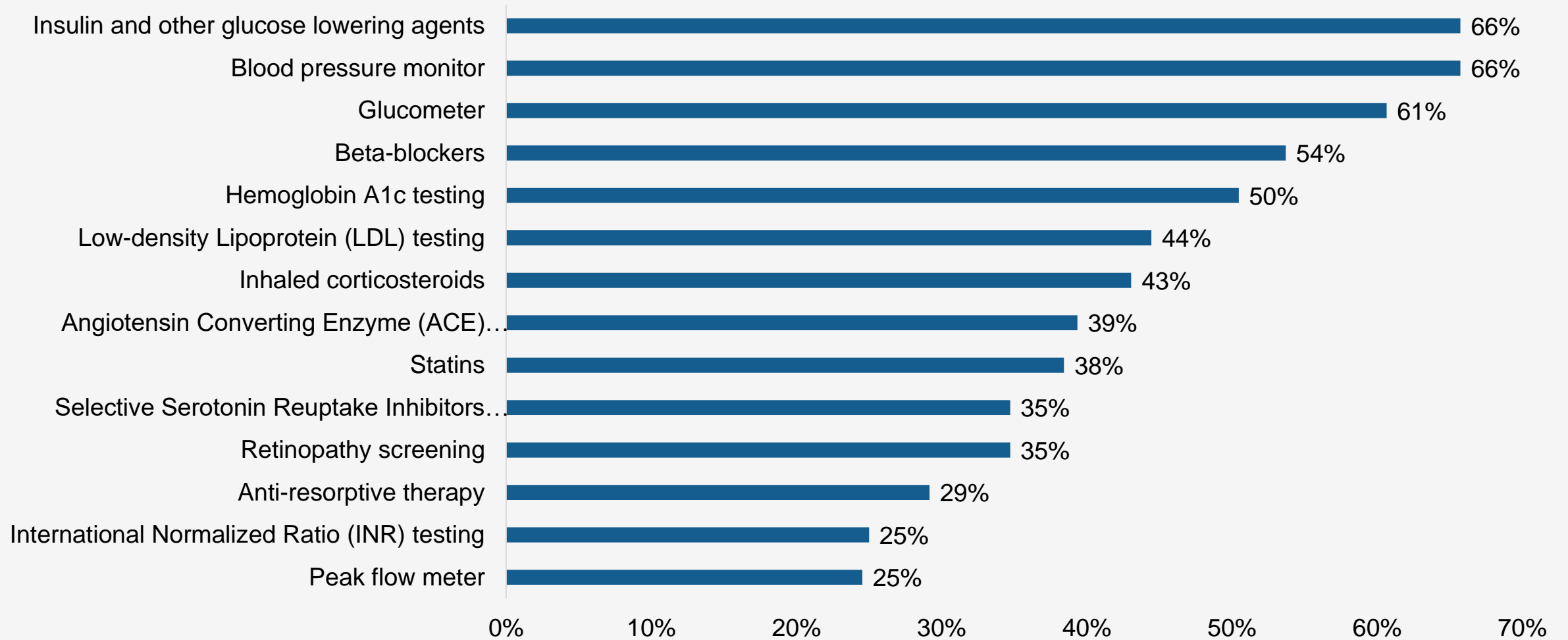
IRS Notice 2019-45 allows health savings account (HSA)-eligible health plans the flexibility to cover 14 medications and services used to prevent the exacerbation of chronic conditions prior to meeting the plan deductible.

In this *Issue Brief*, we report on the findings from a 2021 Employee Benefit Research Institute (EBRI) survey of employers that collected information on their response to the 2019 guidance. The survey examined not only whether employers added pre-deductible coverage as a result of Notice 2019-45, but also examined each of the allowed services individually; the type of cost sharing, if any, used in lieu of deductibles; and other relevant questions.

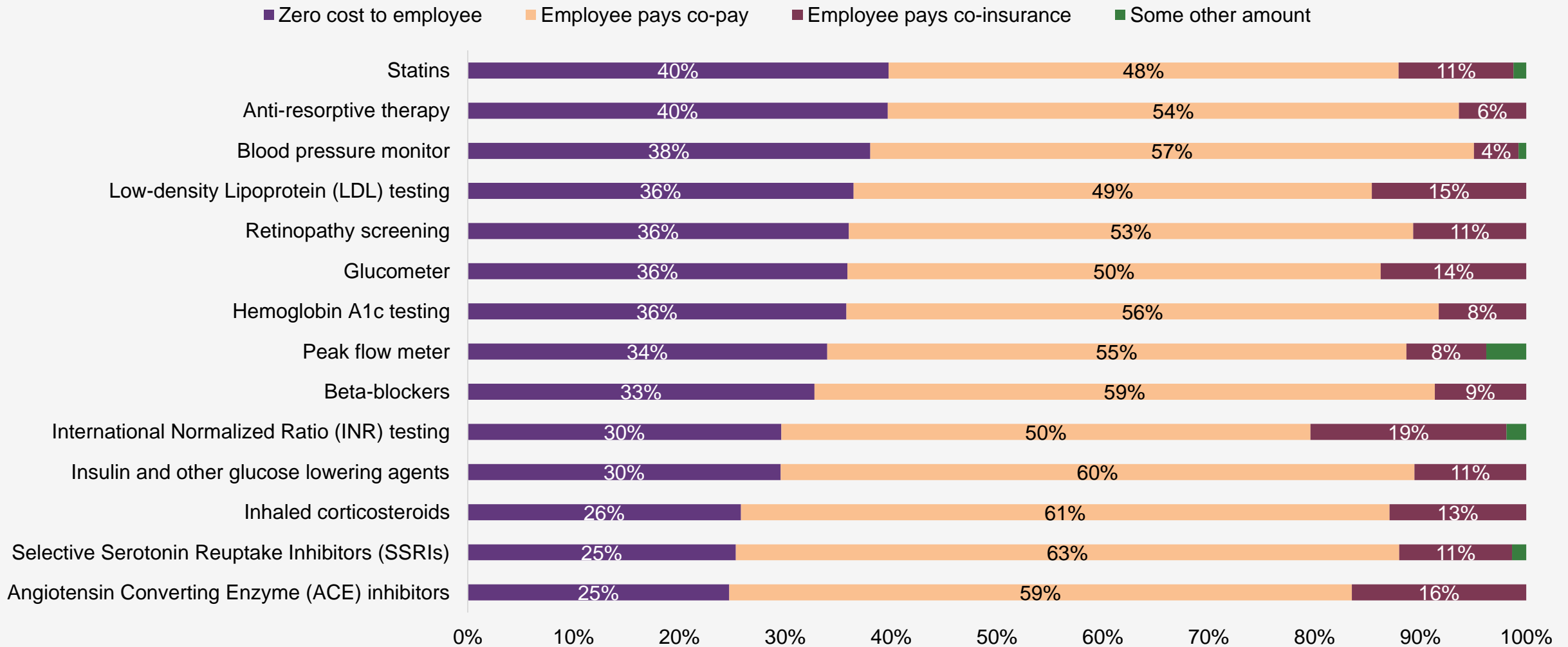
# Percentage of Employers Who Expanded Pre-Deductible Coverage in HSA-Eligible Health Plan for Preventive Services Allowed Under IRS Rule 2019-45



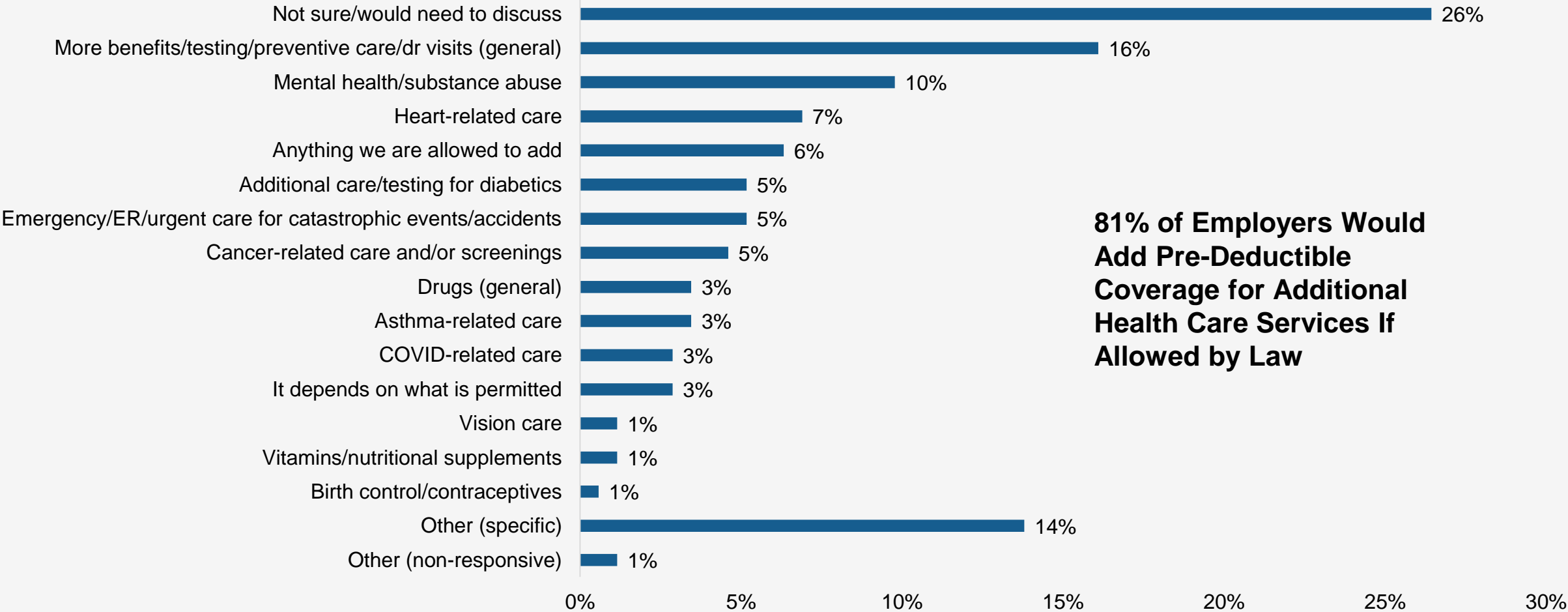
## Preventive Care Measures Covered on a Pre-Deductible Basis as a Result of IRS Notice 2019-45



## Cost Sharing Arrangement as a Result of IRS Rule 2019-45

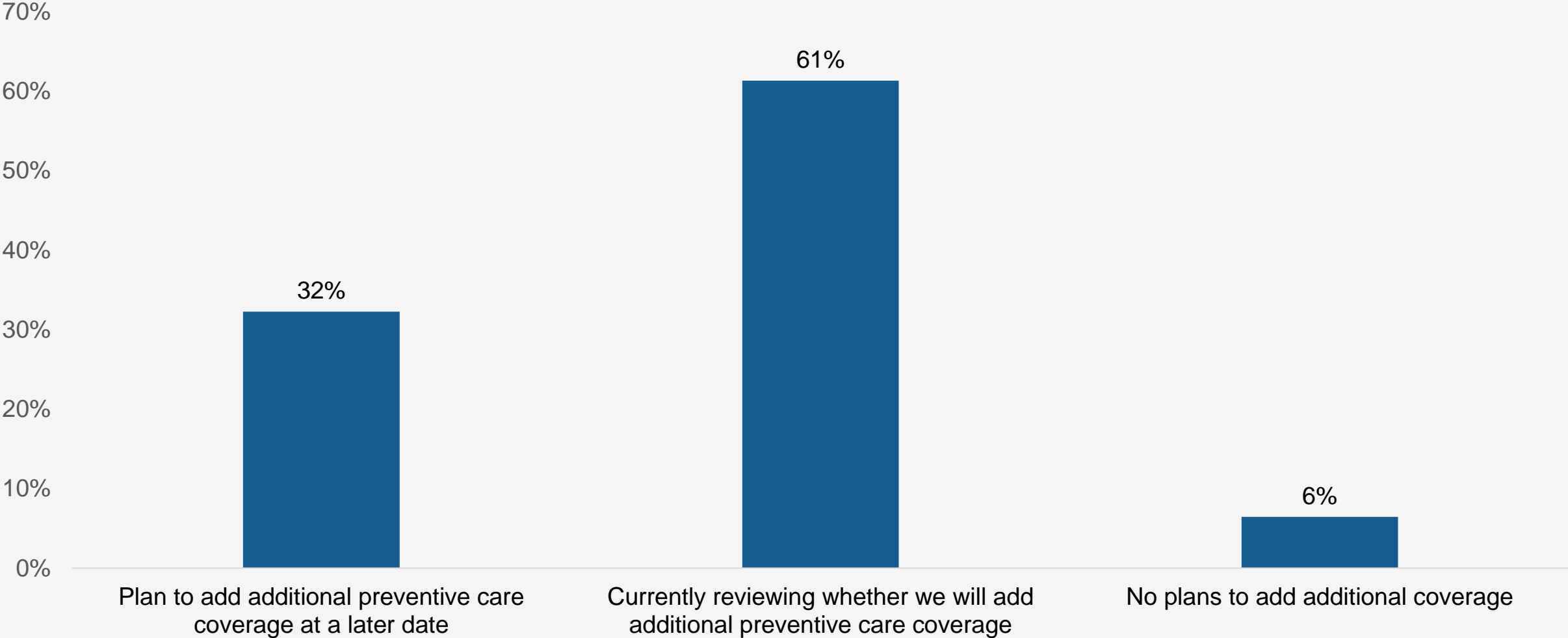


# Additional Pre-Deductible Coverage that Employers Would Like to Add (Based on Open Ended Question)



**81% of Employers Would Add Pre-Deductible Coverage for Additional Health Care Services If Allowed by Law**

# Plans to Add Pre-Deductible Preventive Coverage, Among Employers Who Have Not Added Such Coverage



# EBRI

May 19, 2022 • No. 558

# Issue

BRIEF

## **The Impact of Expanding Pre-Deductible Coverage in HSA-Eligible Health Plans on Premiums**

*By Paul Fronstin, Ph.D., Employee Benefit Research Institute; M. Christopher Roebuck, Ph.D., RxEconomics LLC; and A. Mark Fendrick, M.D., University of Michigan*

---

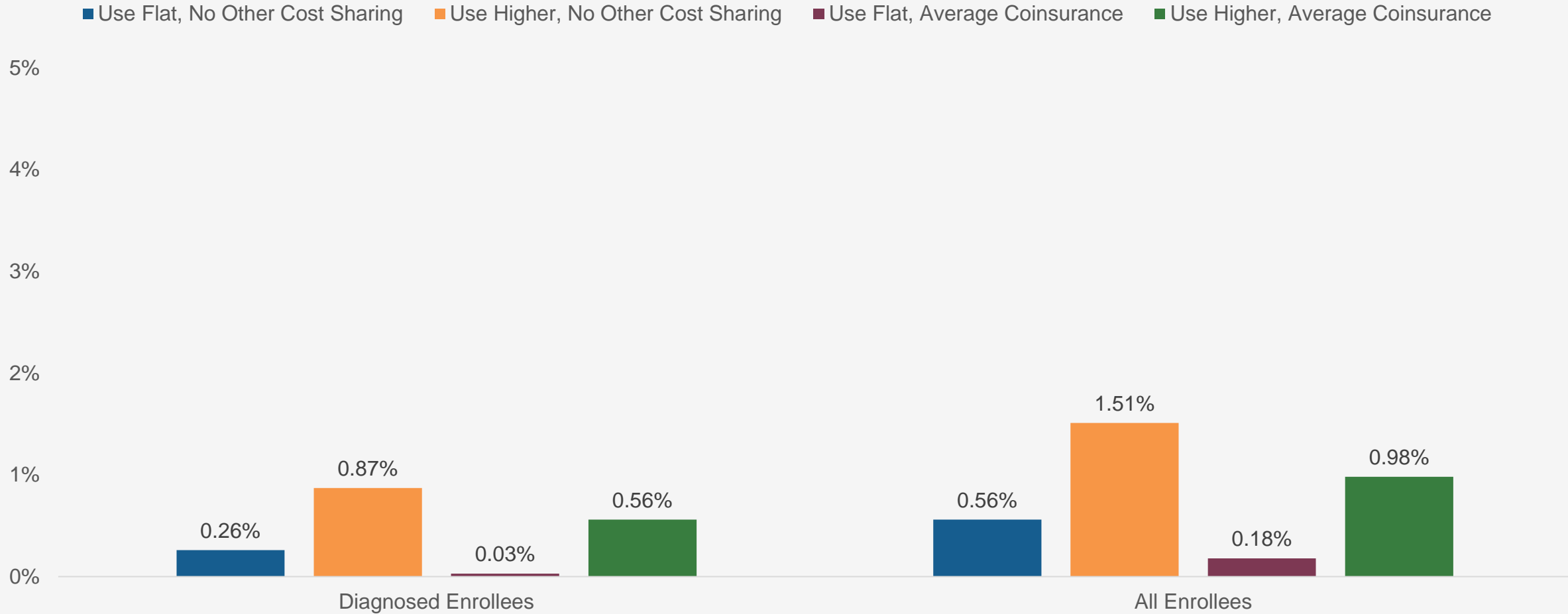
### AT A GLANCE

IRS Notice 2019-45 allows health savings account (HSA)-eligible health plans the flexibility to cover 14 medications and other health services used to prevent the exacerbation of chronic conditions prior to meeting the plan deductible. There is limited evidence on the impact of expanding pre-deductible coverage on insurance premiums. In this *Issue Brief*, we use claims data to quantify the effect of expanded pre-deductible coverage of services and medications specified in IRS Notice 2019-45 on premiums.

## Estimating the Impact of Expanded Coverage on Premiums – Items to Consider

- Are services subject to cost sharing?
  - If yes, we assume same cost sharing imposed pre-deductible and post-deductible.
  - If no, we assume first dollar coverage throughout the year.
- Does utilization increase?
  - Model no increase and 20% increase.
- Do employers follow requirement that claimant has an associated diagnosis (ie, diabetes for people taking insulin)?
  - May be difficult to adjudicate, especially because pharmacy claims do not diagnosis field.
- Is the deductible recovered?
  - Deductible is often recovered because users of these 14 services are high users of other health care services (ie average spend is \$16,900).

# Impact of Expanding Pre-Deductible Coverage in HSA-Eligible Health Plans on Premiums



## Prevalence of Diagnoses Pertaining to IRS Notice 2019-45 and Percentage of Diagnosed Users Meeting Deductible

| Diagnosis         | % of Enrollees with Diagnosis |
|-------------------|-------------------------------|
| Heart Disease     | 7%                            |
| Hypertension      | 5%                            |
| Depression        | 4%                            |
| Diabetes          | 3%                            |
| Asthma            | 1%                            |
| Osteoporosis      | 0.3%                          |
| Bleeding Disorder | 0.1%                          |

| Preventive Care Service | % of Diagnosed Enrollees Meeting Their Deductible |
|-------------------------|---------------------------------------------------|
| Beta Blockers           | 25-37%                                            |
| Statins                 | 20-26%                                            |
| ACE Inhibitors          | 19-25%                                            |
| LDL Testing             | 17-25%                                            |
| Blood Pressure Monitor  | 41-46%                                            |
| SSRIs                   | 23-30%                                            |
| Glucometer              | 33-34%                                            |
| Retinopathy Screening   | 22-28%                                            |
| Insulin                 | 24-26%                                            |
| HbA1c Testing           | 20-25%                                            |
| Inhaled Corticosteroids | 21-29%                                            |
| Peak Flow Meter         | 21-27%                                            |
| Antiresorptive Therapy  | 28-30%                                            |
| INR Testing             | 39-42%                                            |

## Average Spending on Health Care Services Pertaining to IRS Notice 2019-45 is Low When Spread Across All Enrollees

| Medications                               | Spending Per Enrollee With Diagnosis | Spending Per Enrollee | Proportion of Total Spending |  | Medical Services       | Spending Per Enrollee With Diagnosis | Spending Per Enrollee | Proportion of Total Spending |
|-------------------------------------------|--------------------------------------|-----------------------|------------------------------|--|------------------------|--------------------------------------|-----------------------|------------------------------|
| Antiresorptive Therapy                    | \$634                                | \$0.68                | 0.01%                        |  | Blood Pressure Monitor | \$71                                 | \$0.004               | 0.0001%                      |
| ACE Inhibitors                            | \$37                                 | \$0.50                | 0.01%                        |  | Peak Flow Meter        | \$38                                 | \$0.01                | 0.0003%                      |
| Beta Blockers                             | \$126                                | \$0.49                | 0.01%                        |  | Glucometer             | \$310                                | \$0.40                | 0.01%                        |
| Inhaled Corticosteroids                   | \$960                                | \$7.25                | 0.1%                         |  | Retinopathy Screening  | \$262                                | \$1.23                | 0.02%                        |
| Insulin and Other Glucose Lowering Agents | \$3,627                              | \$98.33               | 2%                           |  | HbA1C Testing          | \$38                                 | \$1.12                | 0.02%                        |
| SSRIs                                     | \$104                                | \$1.85                | 0.04%                        |  | INR Testing            | \$82                                 | \$0.16                | 0.003%                       |
| Statins                                   | \$126                                | \$4.65                | 0.1%                         |  | LDL Testing            | \$34                                 | \$1.78                | 0.04%                        |

## Deductible Recoupment Illustration -- Insulin

|                                            | No Services Covered Pre-Deductible | Insulin Covered Pre-Deductible for Diabetics |
|--------------------------------------------|------------------------------------|----------------------------------------------|
| Plan Design                                |                                    |                                              |
| Deductible                                 | \$3,000                            | \$3,000                                      |
| Coinsurance                                | 10%                                | 10%                                          |
| Total Spending                             | \$16,900                           | \$16,900                                     |
| Pre-Deductible Coverage                    | \$0                                | \$3,600                                      |
| Deductible                                 | \$3,000                            | \$3,000                                      |
| Coinsurance                                | \$1,390                            | \$1,030                                      |
| Total OOP                                  | \$4,390                            | \$4,030                                      |
| Change in OOP                              |                                    | -\$360                                       |
| % of Sample With Condition                 |                                    | 3%                                           |
| Cost Share Shift Percentage of Total Spend |                                    | 0.2%                                         |

# Chronic Disease Management Act of 2023

118TH CONGRESS  
1ST SESSION

**S.** \_\_\_\_\_

To amend the Internal Revenue Code of 1986 to permit high deductible health plans to provide chronic disease prevention services to plan enrollees prior to satisfying their plan deductible.

\_\_\_\_\_  
IN THE SENATE OF THE UNITED STATES

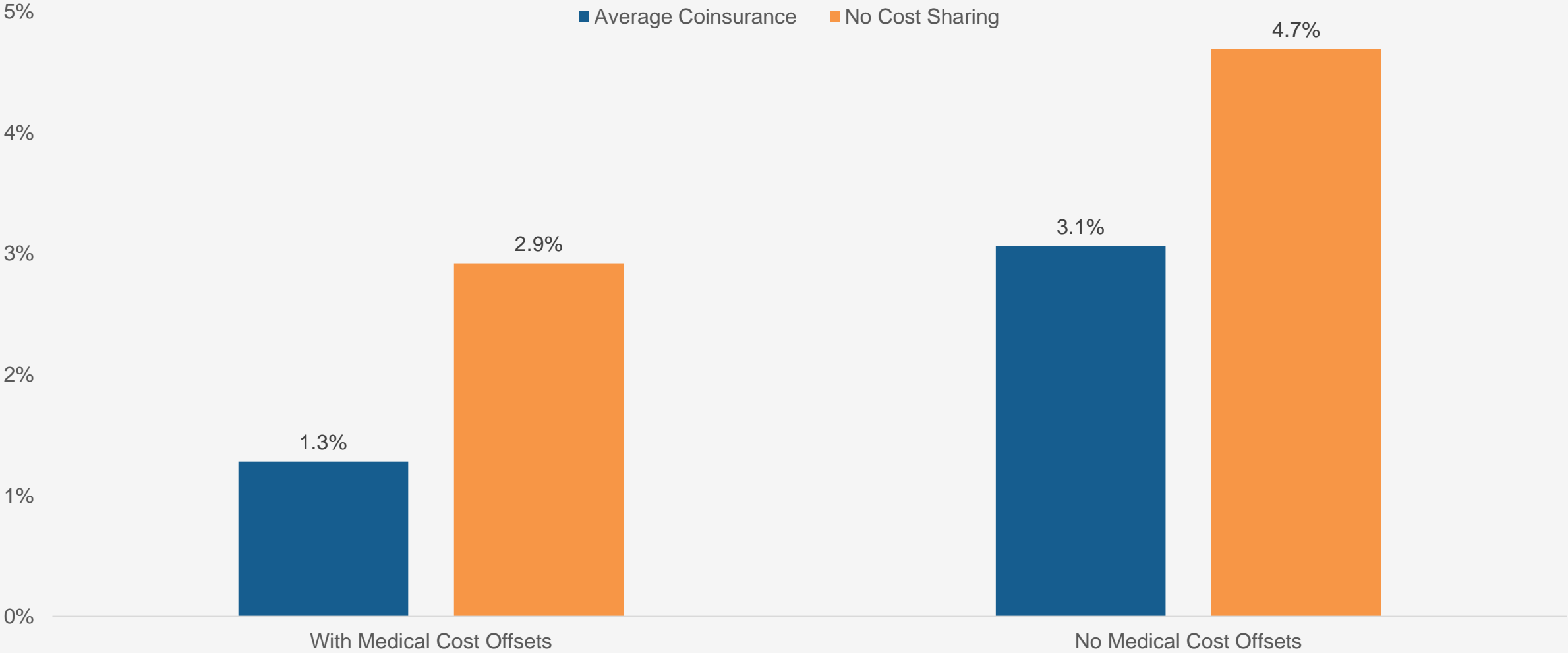
\_\_\_\_\_  
Mr. THUNE (for himself and Mr. CARPER) introduced the following bill; which was read twice and referred to the Committee on \_\_\_\_\_

## **A BILL**

To amend the Internal Revenue Code of 1986 to permit high deductible health plans to provide chronic disease prevention services to plan enrollees prior to satisfying their plan deductible.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 **SECTION 1. SHORT TITLE.**

# Impact on Premiums of Expanding Pre-Deductible Coverage to Chronic Disease Management Medications in HSA-Eligible Health Plans



## Deductible Recoupment Illustration – Rheumatic Drugs

|                                               | No Services Covered<br>Pre-Deductible | Rheumatic Drugs<br>Covered in Full | Rheumatic Drugs Covered<br>With Coinsurance |
|-----------------------------------------------|---------------------------------------|------------------------------------|---------------------------------------------|
| Plan Design                                   |                                       |                                    |                                             |
| Deductible                                    | \$3,000                               | \$3,000                            | \$3,000                                     |
| Coinsurance                                   | 10%                                   | 10%                                | 10%                                         |
| Total Spending                                | \$52,000                              | \$52,000                           | \$52,000                                    |
| Pre-Deductible Coverage                       | \$0                                   | \$34,000                           | \$34,000                                    |
| Deductible                                    | \$3,000                               | \$3,000                            | \$3,000                                     |
| Coinsurance                                   | \$3,650                               | \$1,500                            | \$3,650                                     |
| Total OOP                                     | \$6,650                               | \$4,500                            | \$6,650                                     |
| Change in OOP                                 |                                       | -\$2,150                           | \$0                                         |
| % of Sample With Condition                    |                                       | 0.43%                              | 0.43%                                       |
| Cost Share Shift Percentage of<br>Total Spend |                                       | 0.2%                               | 0%                                          |

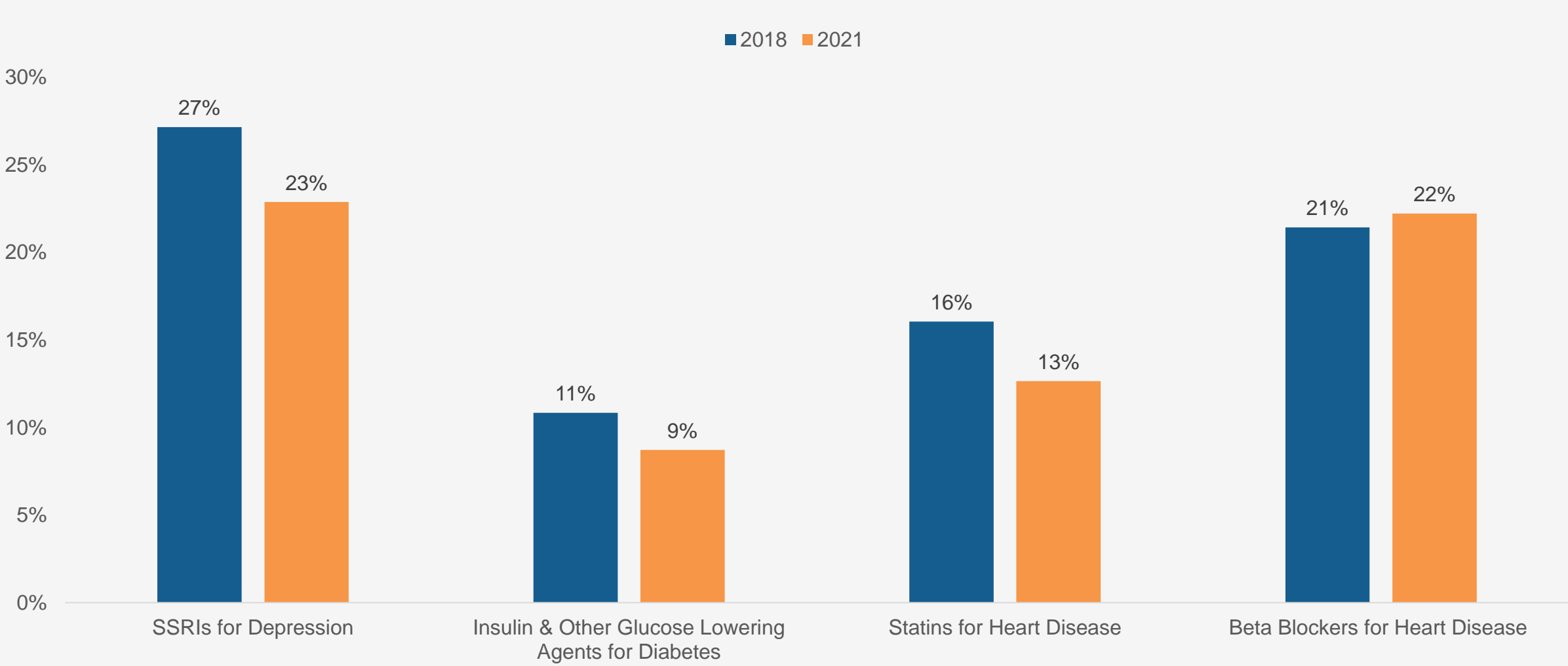


# **The Impact of Expanding Pre-Deductible Coverage in HSA-Eligible Health Plans on Enrollees**

## The Impact of Expanding Pre-Deductible Coverage in HSA-Eligible Health Plans on Enrollees: Questions to Consider

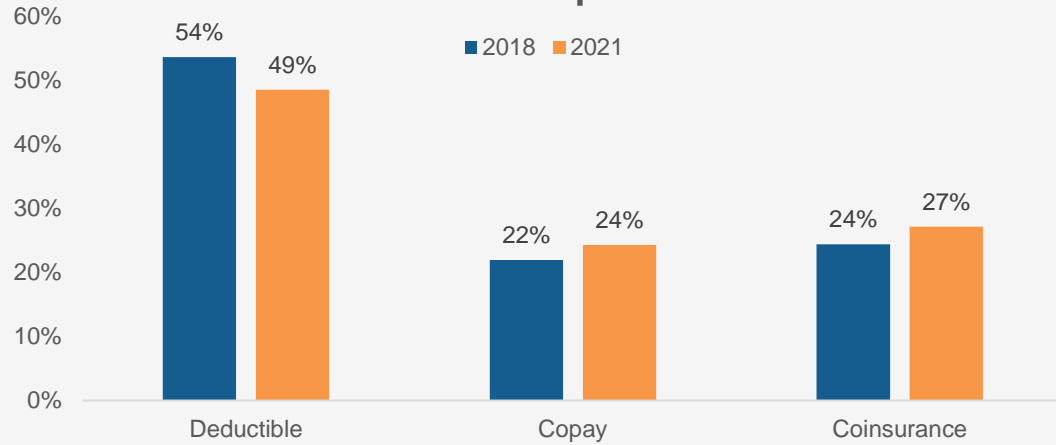
- **Are we seeing more enrollees in HSA-eligible health plans with conditions such as heart disease, hypertension, depression, diabetes, and asthma?**
- Are fewer such enrollees disenrolling from HSA plans?
- Is enrollee use of health care changing?
- **Is enrollee cost sharing changing?**
- **Is cost sharing shifting from deductibles to copayments and/or coinsurance?**
- Have prescription drug fills increased for medications such as insulin and corticosteroids?

# Cost Sharing as a Percentage of Total Spending: Enrollees Paying a Smaller Portion of Health Care Costs

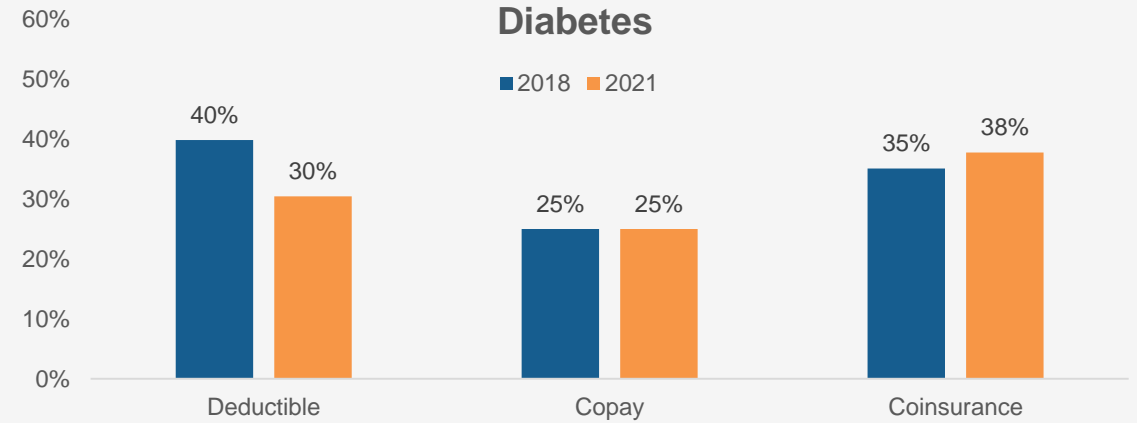


# Composition of Cost Sharing: Deductibles Down, Copayments and/or Coinsurance Higher

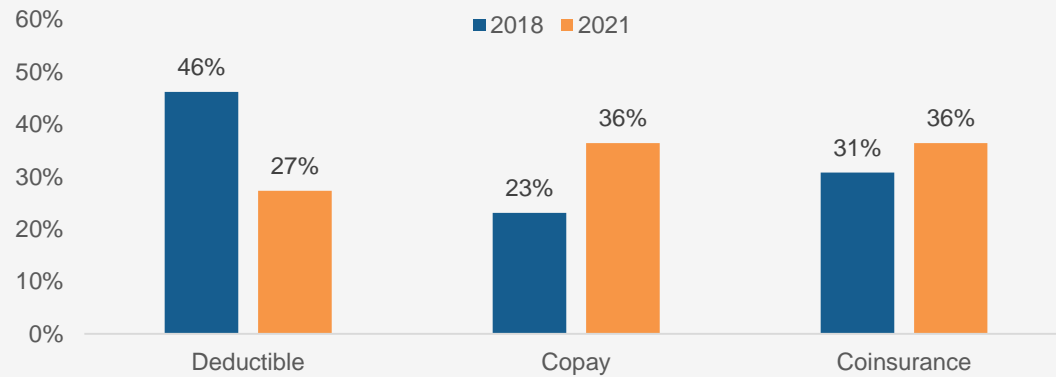
### SSRIs for Depression



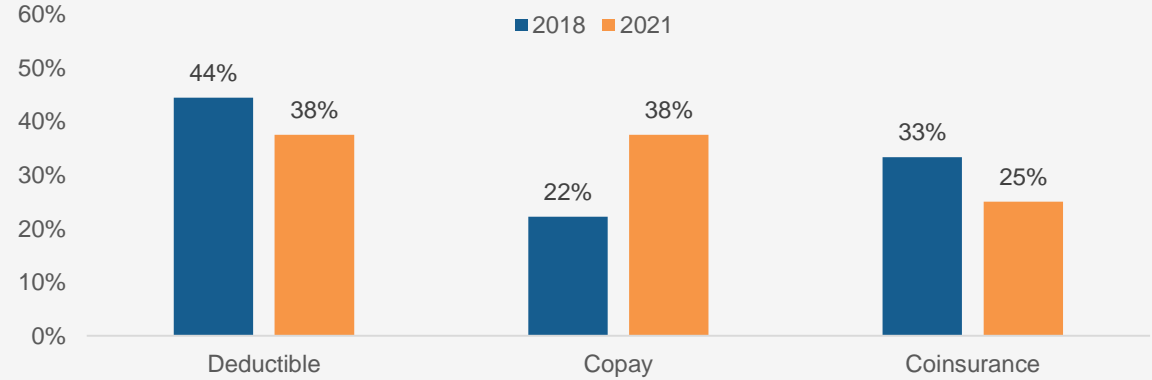
### Insulin & Other Glucose Lowering Agents for Diabetes



### Statins for Heart Disease



### Beta Blockers for Heart Disease



# Q&A

