

Premium Increases Are Low When Employers Add Pre-Deductible Coverage for Preventive Services in Response to Increased IRS Flexibility

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. [Research from the Employee Benefit Research Institute](#) (EBRI) reported on findings from a 2021 EBRI survey of employers that collected information on their response to the 2019 guidance. The survey found that many employers added pre-deductible coverage as a result of the IRS Notice. Furthermore, among employers not offering pre-deductible coverage, nearly all either plan to add such coverage or are considering doing so. A [more recent EBRI report](#) found the impact on premiums of expanding pre-deductible coverage for 14 services in HSA-eligible health plans as allowed in IRS Notice 2019-45 is low.

IRS Notice 2019-45

The U.S. Department of Treasury issued guidance on July 17, 2019 via IRS Notice 2019-45 to further increase the flexibility of health savings account (HSA)-eligible health plans to cover specific low-cost preventive services to prevent the exacerbation of chronic conditions on a pre-deductible basis.¹

Figure 1
Chronic Disease Management Services in the Expanded Safe Harbor

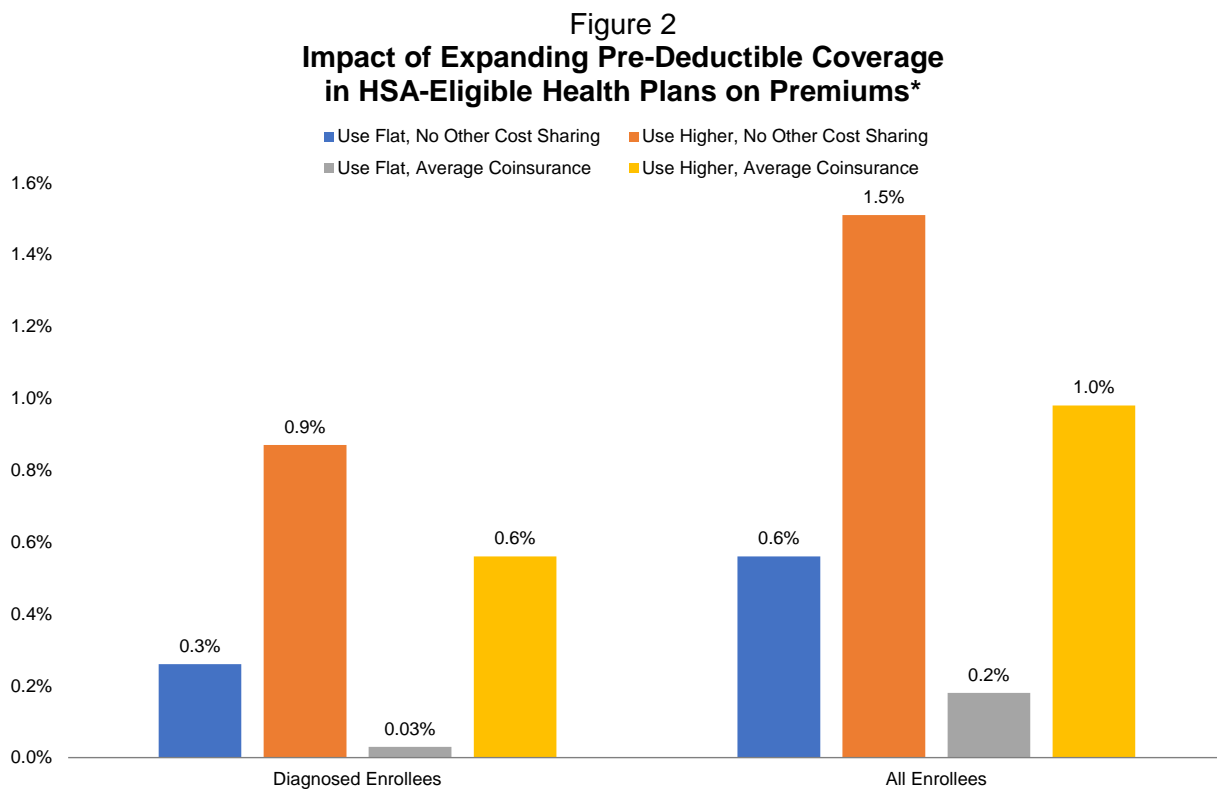
Preventive Care Service	For Individuals Diagnosed With
Angiotensin Converting Enzyme (ACE) inhibitors	Congestive heart failure, diabetes, and/or coronary artery disease
Anti-resorptive therapy	Osteoporosis and/or osteopenia
Beta-blockers	Congestive heart failure and/or coronary artery disease
Blood pressure 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

Source: <https://vbidcenter.org/initiatives/hsa-high-deductible-health-plans-2/>

With IRS Notice 2019-45 in place, all HSA-eligible health plans are now able to adopt a more flexible benefit design offering more protection for certain medical services through a value-based insurance design (V-BID) plan structure.

Key Findings From the Study:

- The impact on premiums of expanding pre-deductible coverage for 14 services in HSA-eligible health plans as allowed in IRS Notice 2019-45 is small. Estimated premium increases range from virtually zero to 1.5 percent.
- There is no expected premium increase when deductibles are replaced by coinsurance, use of health care services is assumed not to increase due to lower cost sharing, and enrollees' related diagnoses are required.
- We found a 0.9 percent increase in premiums when use of health care services was assumed to increase because of the lower cost sharing and when employers did not impose any cost sharing.
- If all 14 services were excluded from pre-deductible coverage with no cost sharing, there was increased use of health care services, and the services were covered whether or not an enrollee had a related diagnosed condition, premiums would increase by 1.5 percent.



Source: Employee Benefit Research Institute estimates based on administrative enrollment and claims data.
* HSA = health savings account.

Several factors explain the relatively small increases in premiums. The percentage of enrollees with any of the diagnoses mentioned in the IRS notice is low. As a result, use of the 14 services allowed to be covered pre-deductible is also relatively low, especially among enrollees with a related diagnosis. The cost for nearly all the 14 services allowed to be covered pre-deductible is relatively low when spread across the entire population. Users of the 14 health care services are commonly high users of health care more generally because of their health conditions and often meet their deductible. As a result, even when coverage for services is provided pre-deductible, these users are likely to continue to meet their deductible. Employers could easily recoup the forgone cost sharing by imposing a pre-deductible copayment or coinsurance.

About EBRI: The Employee Benefit Research Institute is a private, nonpartisan, and nonprofit research institute based in Washington, D.C., that focuses on health, savings, retirement, and economic security issues. EBRI does not lobby and does not take policy positions. The work of EBRI is made possible by funding from its members and sponsors, which include a broad range of public and private organizations. For more information, visit www.ebri.org.

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¹ See <https://www.irs.gov/pub/irs-drop/n-19-45.pdf>.

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