

Limited Impact on Premiums of Expanding Pre-Deductible Coverage

[Research from the Employee Benefit Research Institute](#) (EBRI) found the impact on premiums of expanding pre-deductible coverage for 14 services in health savings account (HSA)-eligible health plans as allowed in IRS Notice 2019-45 to be small. Estimated premium increases range from virtually zero to 1.5 percent. Now, a [more recent EBRI report](#) found the impact on premiums of expanding pre-deductible coverage to 116 drug classes related to chronic disease management medications in HSA-eligible health plans is also relatively small.

IRS Notice 2019-45

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. The U.S. Department of Treasury issued the guidance on July 17, 2019 to further increase the flexibility of 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
Antiresorptive 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/>

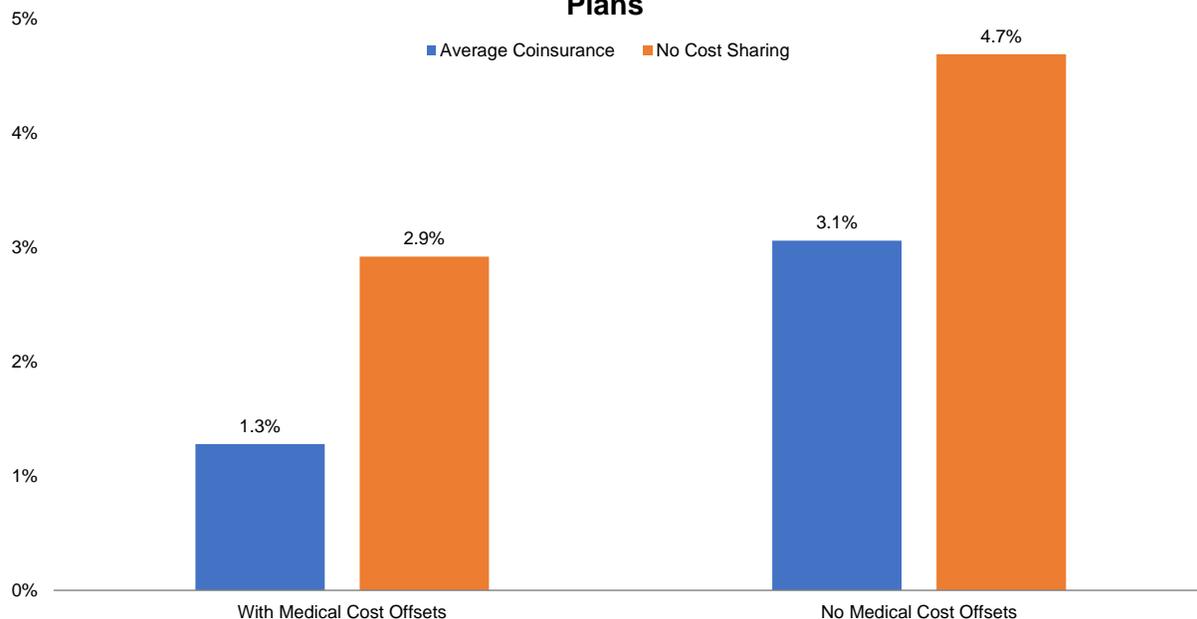
With IRS Notice 2019-45 in place, all HSA-eligible health plans are now able to adopt a more flexible benefit design offering more protection for certain medical services through a value-based insurance design (V-BID) plan structure.

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

Summarizing the key findings from the study, we note that:

- The impact on premiums of expanding pre-deductible coverage to 116 drug classes related to chronic disease management medications in HSA-eligible health plans is relatively small (range 1.3–4.7 percent).
- The premium impact was driven by: 1) the amount of increased uptake of drugs as a result of enhanced coverage, 2) elimination of all consumer cost sharing or inclusion of coinsurance in lieu of the deductible, and 3) whether or not increased drug use led to offsets in spending on non-drug medical expenditures (e.g., preventable hospitalizations).
- Premiums increased the least — 1.3 percent — when employers imposed coinsurance instead of a deductible and when increased use of prescription drugs led to reduced use of other medical services.
- The most expensive scenario, an increase of 4.7 percent, occurred when increased prescription drug utilization led to no decrease in use of other medical services and employers did not impose any coinsurance (i.e., zero cost sharing).

Figure 2
Impact on Premiums of Expanding Pre-Deductible Coverage to Chronic Disease Management Medications in HSA*-Eligible Health Plans



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

In the absence of utilization increases as a result of covering these 116 drug classes in full, premiums would increase 2 percent. However, medical cost offsets as well as other forms of cost sharing will reduce the impact of expanding pre-deductible coverage on premiums. This is evidenced by the 1.3 percent increase in premiums that we found when average coinsurance is imposed instead of a deductible, and medical cost offsets apply.

Our finding that premiums increased little due to the expansion of pre-deductible coverage is also related to the relatively high percentage of users of the 116 drug classes meeting their deductible. Users of these services are generally high users of health care more generally because of their health conditions. As a result, even when coverage for services is provided pre-deductible, these users are likely to continue to meet their deductible. Services that would otherwise be subject to copayments or coinsurance once deductibles are met will be subject to the deductible when other services are no longer subject to the deductible.

About EBRI: The Employee Benefit Research Institute is a private, nonpartisan, nonprofit research institute based in Washington, DC, 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, private, for-profit and nonprofit organizations. For more information go to www.ebri.org or connect with us on [Twitter](#) or [LinkedIn](#).

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