

# ACTION BRIEF

*Employer Strategies that Drive Health, Equity and Value*



## BETTER VALUE, SMARTER DEDUCTIBLES IN HSA-HDHPS

IMPROVING HEALTH, EQUITY & ENGAGEMENT

### ACTION STEPS FOR EMPLOYERS:

1. Examine how your HDHP design affects employee health.
2. Expand pre-deductible coverage to include high-value care and prescription drugs.
3. Be intentional about health equity strategies.
4. Educate and motivate employees to use high-value pre-deductible healthcare.

More than 50% of the workforce nationwide<sup>1</sup> is enrolled in a high-deductible health plan (HDHP)—a growth of 43% over the past five years. The increasing prevalence of HDHPs has been somewhat successful in improving consumer engagement and lowering employer healthcare spending, but cheaper insurance premiums come with a worrisome and unintended consequence: lower utilization of needed care, resulting too often in poorer health outcomes and higher costs.

The deductible limits keep increasing. Maximum out-of-pocket costs in HDHPs are estimated to reach<sup>2</sup> \$7,050 for an individual plan and \$14,100 for a family plan by 2022, making it more difficult for people to afford out-of-pocket payments for critical health assessments and treatments for both acute and chronic diseases.

The growing number of Americans facing thousands of dollars in out-of-pocket costs—in addition to premiums—raises concerns, as 40% of Americans<sup>3</sup> have difficulty paying an unexpected bill of even \$400. Employees with chronic health conditions are hit hardest by HDHPs. According to the *Harvard Business Review*,<sup>4</sup> chronic conditions drive roughly 90%<sup>5</sup> of all healthcare spending, yet more than



30% of people with a chronic condition struggle<sup>6</sup> to pay medical bills before hitting the deductible.

Some of these chronic diseases also impact racial and ethnic groups disproportionately. For example, compared to white people, African Americans are generally at higher risk for heart disease, stroke, cancer, asthma, influenza, pneumonia, diabetes, and HIV/AIDS, according to the *Office of Minority Health*.<sup>7</sup>

For employers and other plan sponsors, cost trends are going in the wrong direction. Savings on premiums for HDHPs are being offset by the added costs that self-funded plans face for chronic disease treatment, higher absenteeism, and lower productivity.



## THE HISTORY OF HDHPs

The [Medicare Modernization Act of 2003<sup>8</sup>](#) created Health Savings Accounts (HSA), which enabled people to save funds tax-free and use them on approved medical expenses. Initially, HSA-eligible HDHPs were precluded from providing pre-deductible coverage for “any service or benefit intended to treat an existing illness, injury, or condition, including drugs or medications.”

This narrow definition of the pre-deductible safe harbor isn’t aligned with value for the patient or the employer. Covering high-value medications and services pre-deductible can improve employee adherence and health outcomes, which is also good for the employer, who benefits from the cost offsets that result from avoided health complications, as well as from higher productivity and reduced absenteeism.

The US Department of the Treasury recognized these misaligned incentives and issued guidance in 2019 that gave HSA-eligible HDHPs the flexibility to cover, on a pre-deductible basis, specific low-cost services to prevent the exacerbation of chronic conditions.

In response to that guidance, employers are taking note and making changes to HDHPs in order to address gaps in healthcare. A [2020 Kaiser Family Foundation Survey reported<sup>9</sup>](#) that of those offering an HSA-qualified health plan, 48% of employers with over 5,000 employees and 29% of employers with over 200 employees reported implementing a benefit design that expanded pre-deductible coverage.

**Pre-deductible coverage is offered without a deductible (by definition). Employers can structure the coverage to require or to waive a co-pay.**

A [2021 Employee Benefit Research Institute \(EBRI\) Survey<sup>10</sup>](#) found continued uptake in 2021, with three-quarters of large employers reporting expanded pre-deductible coverage in their HSA-qualified plans.

For all these reasons, the increase in pre-deductible coverage is becoming a trend. Nationally, legislation is pending to further broaden what can be covered. Details are presented in this *Action Brief*.

## EMPLOYER ACTION STEPS

### 1. Examine how your HDHP design affects employee health.

Studies show HDHPs can compromise health:

- ▶ Those insured through HDHPs tend to use less care overall,<sup>11</sup> including less of the high-value care needed to preserve and improve health. Studies show those in HDHPs are twice as likely<sup>12</sup> to forego care.
- ▶ HDHPs often require people with serious chronic illnesses to pay the entire deductible early each year or forego the care they need.<sup>13</sup>
- ▶ Health Savings Accounts (HSA) are not sufficient<sup>14</sup> to resolve the high-deductible problem.

In 2016, the [National Center for Health Statistics](#) concluded:

**For 2021, the IRS defines a high-deductible health plan as any plan with a deductible of at least \$1,400 for an individual or \$2,800 for a family. An HDHP’s total yearly out-of-pocket expenses (including deductibles, copayments, and coinsurance) can’t be more than \$7,000 for an individual or \$14,000 for a family.**



- ▶ Shifting costs onto people living with chronic conditions is not a solution to lowering healthcare costs.
- ▶ Holistic solutions require involvement of health plans, employers, providers, patients, and caregivers.

A critical first step for employers is to assess whether their HDHP plans are currently offering pre-deductible coverage for all the high-value care and medical services permitted by law. If not, employers can add coverage where their own analysis indicates that doing so would save on overall and long-term costs.

A recent study by [AHIP and the Smarter Health Care Coalition<sup>15</sup>](#) found that most health insurance providers are now offering coverage for chronic-disease prevention services in their HSA-eligible HDHPs; adding this coverage left premiums unchanged or increased them by less than 1%. This means that employers should not have difficulty finding or affording a plan with pre-deductible coverage.

An assessment process, informed in part by the University of Michigan Center for Value-Based Insurance Design, suggests these steps:

1. Catalog what you currently cover and do not cover pre-deductible.
2. Assess the health status, absenteeism, and productivity of your employees under current HDHPs. Look at health costs related to chronic disease, such as diabetes, heart disease, and depression. Then, if you have relevant data available, add the costs of chronic disease associated with absenteeism or reduced productivity.





3. Decide which additional allowable, evidence-based, high-value medical services and prescription medication you want to cover pre-deductible in your next plan year.
4. Measure again one year after implementing pre-deductible care, and look for long-term cost neutrality or cost savings.

Utilization review is critical as well. Compare primary care physician (PCP) use, emergency department use, and prevalence of chronic conditions between employees in HDHPs and those in lower-deductible or other types of health plans. Also compare utilization by race and ethnicity to uncover disparities.

## 2. Expand pre-deductible coverage to include high-value care and prescription drugs.

The option to address and expand pre-deductible coverage has been granted a safe harbor<sup>16</sup> by the federal government.

On July 17, 2019, the Department of the Treasury released Notice 2019-45,<sup>17</sup> allowing HSA-HDHP plans the flexibility to cover, before the patient meets the plan deductible, specified medications and services used to manage chronic diseases. Providing pre-deductible coverage for certain high-value medicines and medical services is a better benefit choice. This approach “has the potential to mitigate cost-related non-adherence, enhance patient-centered outcomes, allow for lower premiums than most PPOs and HMOs, and substantially reduce aggregate healthcare expenditures.”

The Treasury notice defines high-value care by listing services and drugs that can be offered pre-deductible in HDHPs (see sidebar).

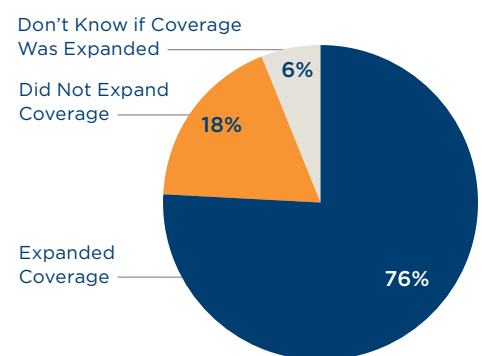
Building on this notice, Senators John Thune (R-SD) and Tom Carper (D-DE) introduced the Chronic Disease Management Act of 2021 in the Senate (S. 1424), followed by the introduction of the companion bill in the House of Representatives (H.R. 3563). This bipartisan, bicameral legislation would further expand the range of pre-deductible high-value services and medicines used to manage chronic diseases that provide high-deductible health plans would have the option of covering.

Employers responded to the Treasury notice by adding pre-deductible services primarily in the areas of heart disease and diabetes. Their motivation, according to the Employee Benefit Research Institute<sup>18</sup> was for the “sake of their employees (74%), employee retention (64%), employee attraction (52%), and as a long-term cost-saving measure (48%).”



More than three-quarters of employers with HSA-eligible health plans took advantage of this rule to add preventive services, as shown in the chart below.

## Percentage of Employers that Expanded Pre-deductible Coverage in HAS-Eligible Health Plans for Preventive Services Allowed under IRS Rule 2019-45



Source: Employee Benefit Research Institute<sup>20</sup>

## Services Permitted Pre-Deductible Under Treasury Notice 2019-45

PREVENTIVE CARE SERVICES	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: IRS.gov<sup>19</sup>



### 3. Be more intentional about health equity strategies.

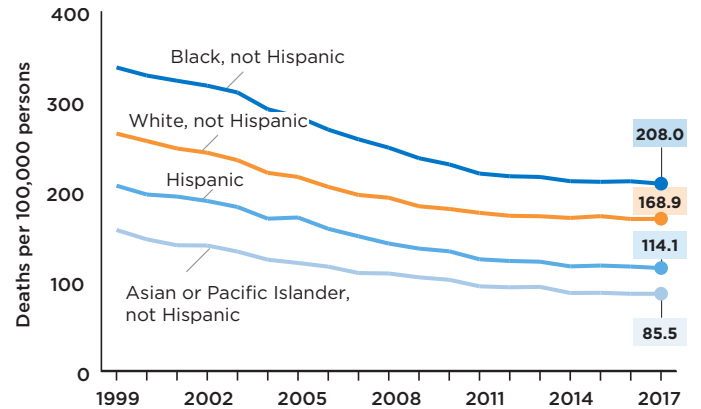
HDHPs are often effective for young, healthy employees seeking low health plan premiums. But young, healthy employees are not the only population selecting HDHPs. For many families, HDHPs are the only coverage they can afford. In fact, 58% of the workforce nationwide was enrolled in an HDHP in 2020,<sup>21</sup> the highest percentage over the past five years. From 2007 through 2017, enrollment in HDHPs with an HSA (4.2% to 18.9%) and without an HSA (10.6% to 24.5%) increased among all adult age segments<sup>22</sup> in the 18–64 range with employment-based coverage, while enrollment in traditional plans decreased. This increase in HDHP enrollment beyond the “white, young healthy” is increasing racial and ethnic health disparities (see chart below). Adding pre-deductible coverage for high-value medications and services can help address some of these disparities.

Research going back to 2005<sup>24</sup> has established that ethnic and racial disparities occur in diabetes care, and that the issue is consistent throughout a patient’s life with diabetes, beginning at diagnosis and ending in consistently higher rates of complications among ethnic minorities in the US.

Death from heart disease also is disproportionately prevalent among Blacks, as shown in the chart<sup>25</sup> above:

Because health disparities are driven by social determinants of health (SDoH), which can lower life expectancy by as

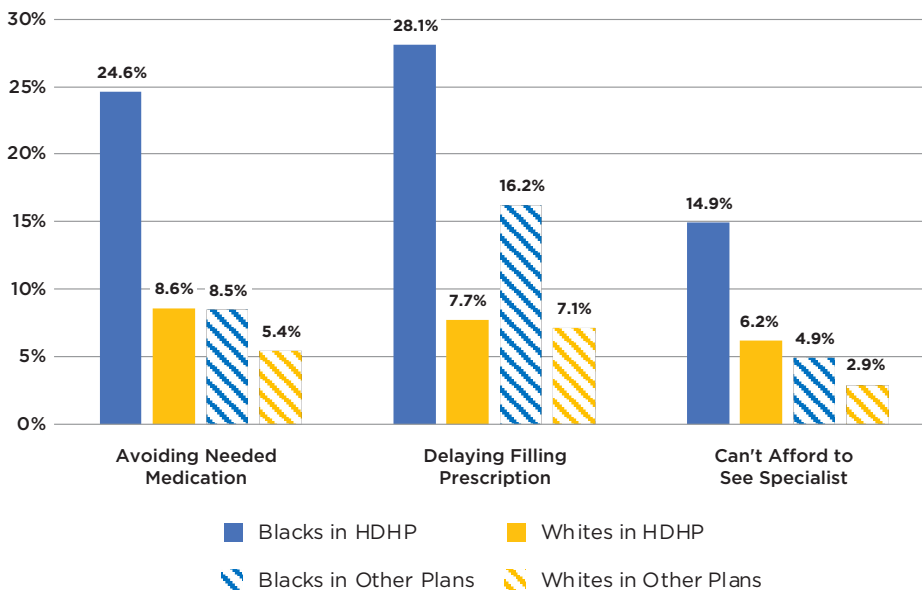
### Age-adjusted Death Rates for Heart Disease, by Race and Hispanic Origin: 1999–2017



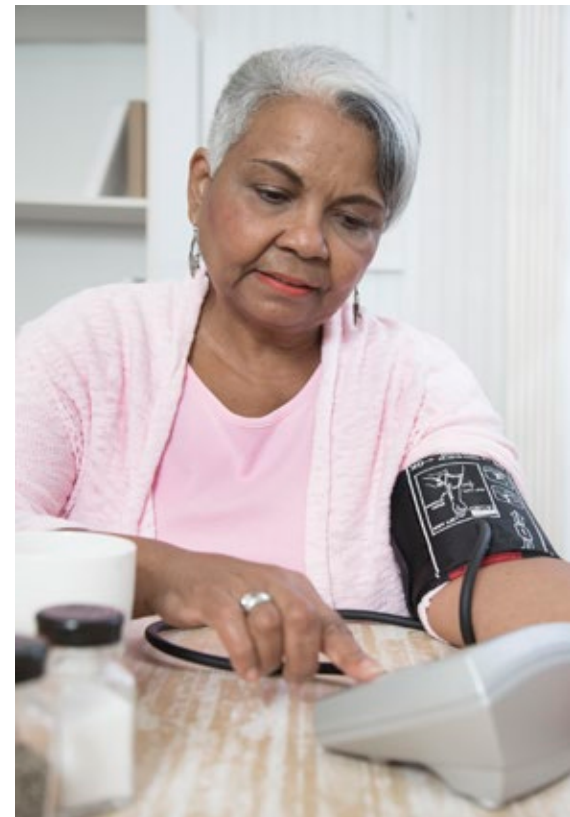
much as 60%,<sup>26</sup> many employers are acting to close gaps by:

- ▶ Providing access to high-quality, culturally competent providers and evidence-based services.
- ▶ Providing access to resources for childcare, transportation, housing and food.

### HDHPs Drive Health Disparities



Source: National Health Interview Survey Data<sup>23</sup>



- ▶ Providing health support programs, such as employee assistance programs and centers of excellence, with access for HDHP enrollees.
- ▶ Requiring doctors and other clinical professionals to participate regularly in health equity training.
- ▶ The National Institutes of Health has published many studies on developing a “workplace culture of health,” in which employers combine organizational support for health with the interrelated<sup>27</sup> organizational support for addressing lifestyle risk.

#### 4. Educate and motivate employees to use high-value pre-deductible healthcare.

Even as employers expand pre-deductible coverage, employee healthcare usage may not increase without ongoing employee education and incentives.

Employee use of pre-deductible healthcare is motivated by the same principles as supporting a healthy workforce:

- ▶ **Understand workforce healthcare needs.** Following employer action steps 1–3 above provides insight into which services to offer pre-deductible. These services will have with the greatest impact on employee health and be most effective at reducing long-term employee health costs and productivity drains.
- ▶ **Design benefit plans,** including wellness activities and pre-deductible services (as permitted by law), based on workforce healthcare needs identified in step 1, above.
- ▶ **Create a company culture** promoting health and wellness. This includes allowing paid time off for wellness exams and illness treatment, thus encouraging employees to use benefits that lead to better health.
- ▶ **Educate employees** about the benefits of pre-deductible coverage and of staying as healthy as possible. This includes fostering a culture of openness and acceptance<sup>28</sup> of total person health. Since pre-deductible

services can be a new concept, provide education about how the changes work.

- ▶ **Personalize communications.** Confidential health assessments and screenings can uncover small problems before they become big ones and can be linked to a flow of tailored health information and the promotion of related pre-deductible services.
  - ▶ **Focus on the biggest cost drivers.** Asthma, diabetes and hypertension were the top drivers of healthcare costs<sup>29</sup> in a recent study of large employers. All three conditions are included in allowable pre-deductible coverage. Provide communications<sup>30</sup> about the ways the new plans support both prevention and also the routine care to diagnose and treat these conditions.
- With these educational and motivational steps in place, and expanded pre-deductible coverage in HDHPs, your workforce should experience better adherence and outcomes and lower costs for the treatment of chronic conditions.<sup>31</sup>



## ENDNOTES

1. <https://www.valuepenguin.com/enrollment-changes-to-high-definition-health-insurance-plans>
2. <https://vbidcenter.org/wp-content/uploads/2019/12/Smarter-Deductibles-Better-Value-Expanding-Coverage-in-HSA-HDHPs.pdf>
3. <https://www.federalreserve.gov/publications/files/2018-report-economic-well-being-us-households-201905.pdf>
4. <https://hbr.org/sponsored/2020/08/smarter-health-care-deductibles-are-a-win-win-for-employers-and-employees>
5. <https://www.rand.org/blog/rand-review/2017/07/chronic-conditions-in-america-price-and-prevalence.html>
6. <https://files.kff.org/attachment/Report-KFF-LA-Times-Survey-of-Adults-with-Employer-Sponsored-Health-Insurance>
7. <https://minorityhealth.hhs.gov/omh/browse.aspx?lvl=3&lvlid=61>
8. [http://www.allhealthpolicy.org/wp-content/uploads/2017/03/pub\\_3.pdf](http://www.allhealthpolicy.org/wp-content/uploads/2017/03/pub_3.pdf)
9. <https://www.kff.org/report-section/ehbs-2020-summary-of-findings/>
10. [https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri\\_ib\\_542\\_hsaemployersur-14oct21.pdf?sfvrsn=73563b2f\\_2](https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_542_hsaemployersur-14oct21.pdf?sfvrsn=73563b2f_2)
11. <https://www.healthaffairs.org/doi/10.1377/hblog20171024.738089/full/>
12. <https://www.healthaffairs.org/doi/10.1377/hblog20190416.47741/full/>
13. <https://www.healthaffairs.org/doi/10.1377/hblog20190416.47741/full/>
14. <https://www.healthaffairs.org/doi/10.1377/hblog20190416.47741/full/>
15. [https://www.ahip.org/wp-content/uploads/202109-AHIP\\_HDHP-Survey-v03.pdf](https://www.ahip.org/wp-content/uploads/202109-AHIP_HDHP-Survey-v03.pdf)
16. <https://www.mercer.com/our-thinking/law-and-policy-group/irs-expands-predeductible-preventive-care-for-hsa-qualifying-health-plans.html>
17. <https://vbidcenter.org/hsa-guidance-announcement/>
18. [https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri\\_ib\\_542\\_hsaemployersur-14oct21.pdf?sfvrsn=73563b2f\\_2](https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_542_hsaemployersur-14oct21.pdf?sfvrsn=73563b2f_2)
19. <https://www.irs.gov/pub/irs-drop/n-19-45.pdf>
20. [https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri\\_ib\\_542\\_hsaemployersur-14oct21.pdf?sfvrsn=73563b2f\\_2](https://www.ebri.org/docs/default-source/ebri-issue-brief/ebri_ib_542_hsaemployersur-14oct21.pdf?sfvrsn=73563b2f_2)
21. <https://www.cdc.gov/nchs/products/databriefs/db317.htm>
22. <https://www.cdc.gov/nchs/products/databriefs/db317.htm>
23. <https://www.bu.edu/sph/news/articles/2020/high-deductible-health-plans-are-widening-racial-health-gaps/>
24. <https://care.diabetesjournals.org/content/41/5/1017>
25. [https://www.cdc.gov/nchs/hsu/spotlight/HeartDiseaseSpotlight\\_2019\\_0404.pdf](https://www.cdc.gov/nchs/hsu/spotlight/HeartDiseaseSpotlight_2019_0404.pdf)
26. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5777389/>
27. <https://pubmed.ncbi.nlm.nih.gov/29529865/>
28. <https://www.aetnainternational.com/en/about-us/explore/future-health/tackling-polarised-perceptions-in-corporate-health-and-wellness.html>
29. <https://healthpayerintelligence.com/news/top-5-common-conditions-driving-employer-healthcare-spending>
30. <https://smallbusiness.chron.com/ideas-motivate-people-healthy-workplace-37891.html>
31. <https://vbidhealth.com/docs/HSA-HDHP-Reform-Brief.pdf>

## RESOURCES FOR EMPLOYERS

- [Employer Uptake of Pre-Deductible Coverage for Preventive Services in HSA-Eligible Health Plans](#)
- [Smarter Deductibles, Better Value: Expanding Coverage in HSA-HDHPs](#)
- [Expanding Flexibility in HSA-Eligible High-Deductible Health Plans](#)
- [Update and Federal Budgetary Impact of Allowing Health Savings Account-Eligible High-Deductible Health Plans to Cover Chronic Disease Drugs and Services Pre-Deductible](#)
- [Financial Impact of HSA-HDHP Reform to Improve Access to Chronic Disease Medications](#)
- [HSA-Eligible Health Plans Embrace Changes to Better Serve Americans With Chronic Health Conditions](#)

## ACKNOWLEDGEMENT

National Alliance acknowledges with gratitude support from the National Pharmaceutical Council, including subject matter expertise and funding for this *Action Brief*.



1015 18th Street, NW, Suite 730 • Washington, DC 20036

(202) 775-9300 (phone) • [nationalalliancehealth.org](http://nationalalliancehealth.org)

 [twitter.com/ntlalliancehlth](https://twitter.com/ntlalliancehlth)

 <https://www.linkedin.com/company/national-alliance/>