

Expand Predeductible Coverage Without Increasing Premiums or Deductibles

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As the new year begins, Americans are starting over on their health insurance deductibles. High-deductible health plans (HDHPs) have become increasingly prevalent in recent years. Forty-three percent of working-age adults with employer-sponsored health insurance coverage enrolled in HDHPs in 2017, up from just 15% in 2007.¹

These plans seem attractive because they offer lower premiums, which are achieved by shifting costs to enrollees who use medical care. Additionally, HDHPs specifically enable consumers to open tax-advantaged health savings accounts (HSAs). Partly due to these features, more than three-fourths of adults with employer-sponsored health insurance have to meet some type of deductible before their insurance starts to pay for care received.² The current minimum deductibles in HDHPs are \$1350 in individual plans and \$2700 in family plans.³ However, most plans set deductibles even higher; in 2019, the average individual deductible was \$1655 and the average family deductible was \$4779.²

One of the goals of plan deductibles is to encourage consumers to become engaged in their healthcare purchases. However, in the current “blunt” form in which deductibles are applied, there is no distinction between essential services and lower-value care. Thus, prior to meeting the deductible, enrollees must pay full price for almost all of their care, regardless of clinical value. The growing number of Americans facing thousands of dollars in out-of-pocket costs in addition to premiums raises concern, as 40% of Americans would struggle to pay an unexpected bill of \$400.⁴ Although it would be advantageous for the many individuals with moderate to significant medical needs and low disposable income to avoid plans with high deductibles, many Americans have no choice but to enroll in such a plan.

Policies Aim to Advance Predeductible Coverage

Under current law, HDHPs are required to cover certain preventive care services prior to enrollees reaching their plan deductibles. Until recently, *preventive* was usually narrowly defined, limited to services such as immunizations or cancer screenings, but excluding most chronic disease management services. This led

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many individuals with chronic conditions to forgo recommended care. Fortunately, new benefit design approaches, such as preventive drug lists, make deductibles less blunt by providing more generous coverage for critical medical services, particularly for the millions of Americans with chronic conditions who struggle to pay for their medical care.⁵

In July 2019, the Internal Revenue Service (IRS) released a formal guidance (IRS 2019-45) that expanded the flexibility of HDHPs linked to HSAs to cover 14 essential services used to treat chronic diseases such as diabetes and asthma, *before* patients meet their plan deductibles.⁶ These services are in addition to the preventive care already covered on a predeductible basis. Utilizing the criteria established in the IRS guidance, in January 2020, the bipartisan Chronic Disease Management Act of 2020 was introduced in the US Senate.⁷ The legislation permits HSA-HDHPs the flexibility to cover a broader set of chronic disease prevention services on a predeductible basis.

HDHPs that are not linked to an HSA have even greater flexibility regarding services that can be covered on a predeductible basis. Reducing out-of-pocket costs will make high-value services more accessible, improve patient outcomes, reduce disparities,⁸ and potentially reduce overall healthcare spending. With expansion of predeductible coverage, no insured American with chronic conditions should ever have to pay full price for lifesaving medical services.

Removing Low-Value Care to Pay for Enhanced Predeductible Coverage

Lower consumer out-of-pocket costs would modestly increase utilization of essential clinical services and therefore increase short-term spending. An actuarial analysis of a program that provided predeductible coverage for more than 50 drug classes used to treat common chronic conditions reported that the modest improvement in medication adherence would lead to a small increase in plan actuarial value (0.9%) and would require only a small increase in premiums (1.7%) or deductibles (\$189) for payers interested in keeping the financial impact of the benefit change cost neutral.⁹

As an alternative to “blunt” approaches to pay for enhanced predeductible coverage, such as increasing premiums for all beneficiaries or raising deductibles for all services, plan sponsors could pursue a range of more nuanced cost-reducing strategies to create headroom for additional spending on high-value services. In a country that spends billions of dollars annually on low-value care, there is ample opportunity to attain significant savings without shifting costs to the consumer for clinically indicated services.¹⁰ To this end, efforts are underway across the country to identify, measure, report, and reduce use of low-value care to enhance coverage generosity for high-value services.¹¹

V-BID X: Better Coverage Without Increases in Premiums or Deductibles

A group of public and private stakeholders convened to create a benefit design template (ie, V-BID [Value-Based Insurance Design] X) to guide organizations interested in incorporating cost-neutral, value-based principles into plan benefit design.¹² V-BID X plans demonstrate that coverage can lower consumer out-of-pocket costs for high-value services without increasing deductibles or premiums. Applying targeted cost sharing based on the clinical value—not the price—of a service will give consumers improved access to high-value care, reduce cost-related nonadherence, and decrease exposure to harmful care. Actuarial estimates are used to match the incremental spending on high-value services dollar for dollar with the cost savings resulting from higher cost sharing on, and the resultant decreased use of, low-value care.

In the last year, nearly a third of Americans reported not following clinicians’ recommendations because of cost,¹³ often leading to worse health outcomes and sometimes higher total medical expenditures.¹⁴ Although deductibles are entrenched in the American healthcare landscape, the common implementation imposing high deductibles on essential chronic disease services to control spending has imparted a tax on millions of Americans with chronic

medical conditions. Innovative, cost-neutral plan designs that cover more essential services on a predeductible basis, while decreasing exposure to and spending on harmful care, would better meet the clinical and financial needs of millions of Americans. ■

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