

Adopting Good Practices for High-Deductible Health Plans Can Help Employers Build Better Health Benefits

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Employers and employee benefit consultants (EBCs) are currently assessing the health care landscape and gathering information to guide the health care plan options that they will offer for 2023. Health care benefit design can have significant implications for how enrollees navigate the health care system and access needed care. Therefore, as employers and EBCs make crucial decisions about their health plans, they should consider implementing good practices that help enrollees optimize the value of their plan.

A recent analysis by the Kaiser Family Foundation found that nearly a third of covered US workers were enrolled in a high-deductible health plan (HDHP) in 2021, up from only 10% of covered workers in 2010.¹ In theory, HDHPs can be mutually beneficial to both employers and their employees. Some employers offer an HDHP option because it is less expensive for the employer and because the higher patient cost sharing hypothetically incentivizes enrollees to shop around and make more discerning choices about their health care utilization.

HDHPs can be advantageous for some employees due to lower monthly premiums. In addition, HDHPs can be combined with a health savings account (HSA), which allows enrollees to make tax-free contributions to pay for their deductible and qualified medical expenses.

However, for some enrollees, the advantages of HDHPs are outweighed by the drawbacks. Despite having lower monthly premiums, HDHPs require enrollees to pay high out-of-pocket costs up front to meet their deductible, making it difficult for some enrollees to afford health care treatments and services. Some studies have found that higher patient cost sharing can lead to patients delaying or forgoing appropriate care,² which can result in inadequate disease control

and additional health care utilization such as hospitalizations or emergency care.³ Researchers also have found that HDHP enrollment is associated with lower utilization of both appropriate and inappropriate care, resulting in lower spending relative to non-HDHP plans.⁴

Overall, the evidence on the effects of HDHP enrollment on health care cost and utilization outcomes is mixed, partly due to the substantial heterogeneity in how HDHPs are designed and implemented (eg, variation in deductible size, HSA eligibility). By adopting good practices for HDHPs, employers can offer higher-value health benefits that put their employees' needs first.

WHAT ARE GOOD PRACTICES FOR HDHPS?

Numerous studies have identified trends in HDHP benefit design or explored ways to structure HDHPs to meet employer objectives.⁵⁻⁸ Fewer studies have considered good practices that increase the plans' value for both employer-payers and HDHP enrollees. In 2021, the National Pharmaceutical Council (NPC) and Gallagher Research & Insights surveyed 50 jumbo employers (> 5000 employees) to better understand employer experiences and perspectives on HDHP practices. The survey defined a good practice as an action that employers can take to help enrollees maximize value and better navigate their benefits and treatment options.

To lay the groundwork for this survey, researchers conducted a literature review to identify potential good practices and interviewed 22 health care stakeholders—including representatives from jumbo employers, a health care plan, patient groups, employee benefits consultancies, pharmacy benefit managers, and subject matter experts—to refine the list of good practices. This survey focused specifically on good

practices for HSA-qualified HDHPs, as they have become the predominant HDHP model in the market.

Of the surveyed employers, nearly 70% reported taking a proactive approach to managing benefits and employee health programs to improve employee health and productivity. This indicates that there is a substantial appetite among employers to adopt innovative practices to provide higher-value benefits for their enrollees.

The survey queried respondents on 11 HDHP design tactics identified through a literature review and stakeholder interviews. Of the 11 tactics, 9 were identified as good practices by at least two-thirds of employer survey respondents (Figure⁹).

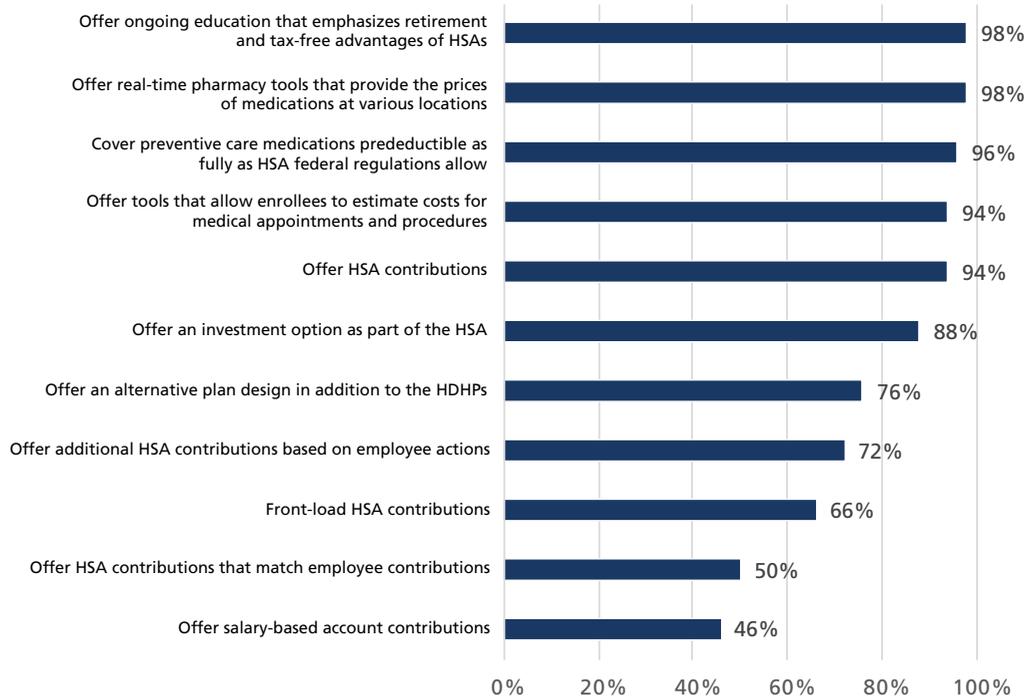
EMPLOYERS RECOMMEND PRIORITIZING 5 HDHP GOOD PRACTICES

Surveyed employers identified the good practices that they believe have the most potential to optimize employees'

ability to maximize value and better navigate their health care benefits and treatment options. Five good practices rose to the top of the list:

- **Offer HSA contributions.** Offering HSA contributions (eg, employers put money in enrollees' HSAs that they can then use toward their medical expenses) can make HDHP benefits more valuable for enrollees.
- **Offer ongoing education that emphasizes the retirement and tax-free advantages of HSAs.** Many individuals enrolled in HDHPs are not aware of the benefits associated with HSAs and are not optimizing the potential value of this unique plan design.¹⁰ Offering ongoing education to employees on the retirement and tax-free advantages of HSAs can help enrollees maximize the value of their HDHPs.
- **Cover preventive care medications predeductible as fully as HSA federal regulations allow.** The Affordable Care Act requires HDHPs and other health

FIGURE. Employer Perspectives on Proposed HDHP Good Practices (n = 50)⁹



HDHP, high-deductible health plan; HSA, health savings account.
Source: Rudder Huff et al (2022).⁹

plans to cover certain preventive services, but it stipulated that this coverage of preventive services could not include “any service or benefit intended to treat an existing illness, injury, or condition, including drugs or medications” until the deductible was met.¹¹ However, updated guidance issued by the Internal Revenue Service in 2019 increased the flexibility of HSA-eligible plans to allow predeductible coverage of additional high-value medicines and services, including medications that prevent the exacerbation of chronic conditions such as heart disease and diabetes.¹² Covering high-value treatments predeductible can improve medication adherence and prevent unnecessary health complications.

- **Front-load HSA contributions.** HDHP enrollees who seek care at the beginning of the year often face high up-front out-of-pocket costs until they meet their deductible, causing some individuals to delay or forgo care. However, for those who are enrolled in HSA-qualified HDHPs, employers can make their entire contribution to employees’ HSAs at the beginning of the plan year or at the start of each quarter, rather than making smaller, incremental contributions throughout the year.
- **Offer additional HSA contributions based on employee actions.** Offering employees additional HSA contributions for actions such as completing wellness initiatives or having an annual physical can incentivize employees to prioritize healthy behavior and appropriately use health care services.

OPPORTUNITIES EXIST TO IMPROVE UPTAKE OF HDHP GOOD PRACTICES

Although most employers recognize the need for good practices for HDHPs, some practices have lower uptake and implementation than others. For example, less than 30% of surveyed employers reported offering additional HSA contributions based on employee actions and 48% do not front-load employer-funded HSA contributions. Employers indicated that a variety of factors such as expense and administrative complexity may impede their adoption of these good practices. Additional research is needed to better understand the barriers that may keep employers from implementing these practices.

It is also important to recognize the trade-offs involved with adopting select practices, particularly those that require the employer to shoulder additional costs. For example, research has found that employer contributions to HSAs blunt incentives for enrollees to constrain their spending, which could undermine the ability of HSA-eligible plans

to achieve reductions in costs or curb inappropriate health care utilization.¹³

The survey also found that 72% of employer respondents cover preventive care medications predeductible (to the extent that HSA federal regulations allow). This finding is consistent with the results of a recent survey analysis conducted by the Employer Benefit Research Institute, which found that 3 in 4 large employers have already adopted some level of predeductible coverage.¹⁴ Moreover, 81% of employers indicated that they would expand predeductible coverage to additional treatments and services if allowed by law.

Several organizations, including NPC, have developed resources to guide employers in the development and implementation of strategies that improve the value and equity of the health benefits they offer.¹⁵ For example, the National Alliance of Healthcare Purchaser Coalitions recently published an issue brief that includes action steps that employers can take to achieve better value in HSA-qualified HDHPs, including examining how HDHP design affects employee health, expanding predeductible coverage to include high-value treatments, implementing health equity strategies, and educating and motivating employees to use high-value predeductible health care.¹⁶

CONCLUSIONS

Results from this survey demonstrate that employers are receptive to the idea of adopting good practices for HSA-eligible HDHPs and, in many cases, are already implementing them. As employers and EBCs begin to develop their 2023 plan offerings, they have an opportunity to further advance and incorporate good practices for HDHPs that can help enrollees maximize value and better navigate their benefits and treatment options.

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