THE NEXT GENERATION HEALTH SAVINGS ACCOUNT: THE 'HIGH-VALUE HEALTH PLAN'

High-Deductible Health Plans coupled with a tax-free health savings account (HSA-HDHP) are among the fastest-growing plan types in the United States. Current Internal Revenue Service (IRS) regulations permit a "safe harbor" that allows coverage of specified preventive services prior to satisfaction of the plan deductible. However, IRS regulations designate that clinical services meant to treat "an existing illness, injury, or condition" are excluded from pre-deductible coverage.[1] It is important to note that many essential clinical services used to manage chronic illness are not covered in HSA-HDHPs before the entire deductible is met. While the elimination of financial barriers to preventive care is commendable, plan deductibles are still imperfect in that consumers may forgo high-value care for chronic conditions, which is not covered pre-deductible. **To enable the continued growth of HSA-HDHPs, insurers need flexibility to provide pre-deductible coverage for high-quality services across the spectrum of clinical care.**

This next generation of HSA-HDHPs, or 'High-Value Health Plans' (HVHPs) provide better coverage while preserving the spirit of consumer engagement, accountability, and transparency in consumer-directed health plans. Allowing plans the ability to determine which services are covered prior to meeting a plan deductible is a natural evolution of HSA-HDHPs, in that expanded options will better allow consumers to select a plan that meets their clinical needs and benefits from the financial advantages of a health savings account.

ESTIMATING THE POTENTIAL IMPACT OF HIGH-VALUE HEALTH PLANS

An extreme scenario involving a hypothetical HVHP that provides first-dollar, pre-deductible coverage for selected, well-established health plan quality metrics was created to estimate HVHP plan premiums and potential uptake in the individual and employer markets. These quality metrics included diagnostic tests (e.g., Hemoglobin A1c test for diabetes), durable medical equipment (e.g., peak flow meter for asthma), and chronic disease medications (e.g., medications for patients with major depression).

Effect of HVHP on Premiums

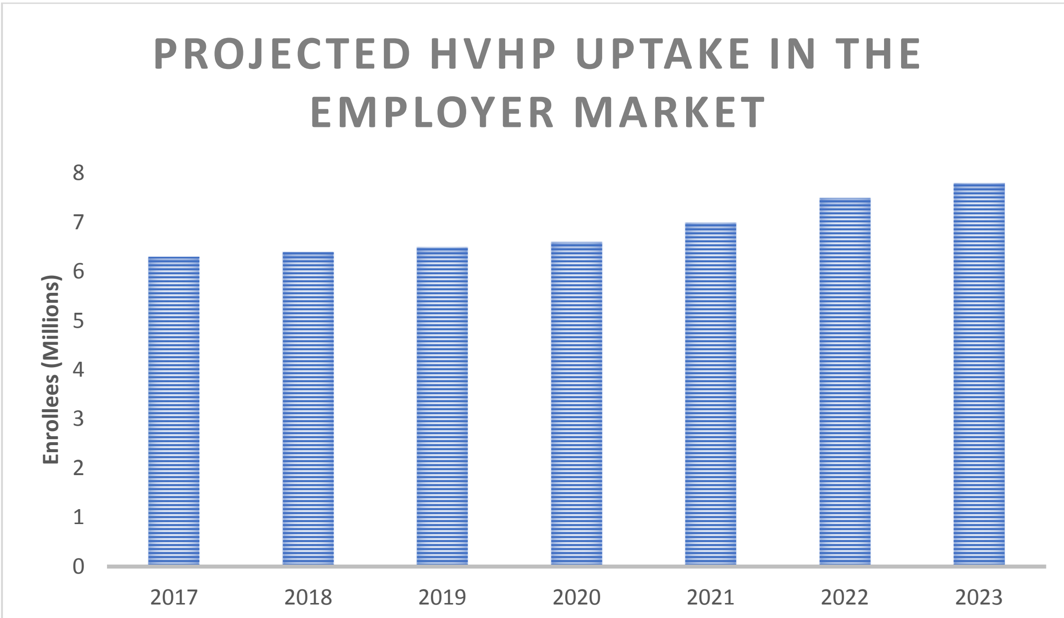
Compared to an existing baseline HSA-HDHP plan (actuarial value (AV) - 71.7%), coverage of targeted services pre-deductible led to an estimated 5.63% increase in premium, when no offsets in other clinical services prevented (e.g. emergency room visits and hospitalizations) were included. When the CBO offset estimate (1/5th of 1% decrease in spending for every 1% increase in expenditures on targeted services) was included in the analysis, the HVHP resulted in a slightly lower premium increase (5.08%). The actuarial value of the HVHP increased by less than 3%, to 74.18% when assuming no offset, and 74.20% when the CBO offset estimate was included. If cost-sharing were applied to the pre-deductible services, the impact on premiums and actuarial value would be less.

Forecast of HVHP Uptake

The ARCOLA simulation model was used to forecast the demand for the hypothetical HVHP among currently available plan choices in the individual and employer insurance market. Holding a plan's generosity constant, an increase in premium would decrease the demand for a certain type of plan. Correspondingly, an increase in the generosity of a plan (i.e. higher actuarial value) will increase demand. The model accounts for the fact that compared to the HVHP, some existing plan choices have higher premiums and are more generous (e.g., PPOs, HMOs), while other options have lower premiums and provide less generous coverage (e.g. current HDHPs). Thus, if an HVHP were an alternative plan choice, some consumers could "buy down" from more

[1] https://www.irs.gov/irb/2004-33_IRB/ar08.html

expensive PPO and HMO plans, while others enrolled in less generous HDHPs could "buy up" and substitute an HVHP with more generous coverage.
The ARCOLA model estimated that the introduction of the hypothetical HVHP would be in high demand in the individual and employer market (Figure). HSA-HDHPs experience considerable growth in the employer sector, as PPO enrollment declines.



Source: http://vbidcenter.org/wp-content/uploads/2014/07/HDHP-white-paper_final.pdf

REMOVING REGULATORY BARRIERS TO EXPAND HSA-HDHP OPTIONS AND INCREASE UPTAKE
Out-of-pocket payments -- such as those required by HDHPs -- are a helpful tool in establishing a consumer-centric system by better engaging patients in their health care decision-making. Yet, existing IRS regulations limit what services can be covered in HSA-HDHPs before meeting the plan deductible, substantially restraining the breadth of plan options and, therefore, stifling consumers' ability to benefit from the financial advantages of a tax-free health savings account.

Preferably, insurers would have the flexibility to offer plans that provide pre-deductible coverage of high-value services across the entire spectrum of clinical care. Accordingly, the bipartisan, bicameral "Chronic Disease Management Act of 2018" (S.2410, H.R.4978) was introduced in February of 2018 to amend the IRS safe harbor and "permit high-deductible health plans to provide chronic disease prevention services to plan enrollees prior to satisfying their plan deductible." The amendment of IRS guidelines to allow for enhanced consumer choice would create a more robust HSA-HDHP marketplace, lower U.S. health care expenditures, and provide millions of Americans expanded plan options that better meet their clinical needs and contribute to their financial well-being.