

U.S. DEPARTMENT OF THE TREASURY ANNOUNCES ADDITIONAL PREVENTIVE CARE BENEFITS TO BE PROVIDED BY HIGH-DEDUCTIBLE HEALTH PLANS

HIGH DEDUCTIBLE HEALTH PLANS INCREASING ENROLLMENT TRENDS

High-deductible health plans paired with a tax-free health savings account (HSA-HDHP) represent a growing percentage of plans offered on the individual and group market. [HDHPs](#) have defined minimum deductibles and maximum out-of-pocket limits. As of 2017, 21.8 million Americans were enrolled in such plans, which represents a 25% increase from 2014. Employers, in particular, are increasingly offering HSA-eligible HDHPs as a way to expand coverage options, lower their health care spending, and promote proactive consumer engagement. President Trump's and Congressional Republicans' healthcare reform proposals emphasize HSA-HDHPs.

Under the original Internal Revenue Service (IRS) [safe harbor](#) section 223(c)(2)(C), HSA-eligible HDHPs could only provide select preventive care benefits prior to satisfaction of the deductible. These benefits are typically deemed primary preventive services and given an "A" or "B" grade by the U.S. Preventive Services Task Force. Primary prevention, while important, is a small component of overall health spending. By contrast, spending on chronic disease encompasses more than eighty-six percent of total U.S. health expenditures. Previously, HSA-HDHP enrollees with existing conditions were required to pay out-of-pocket for necessary services until meeting the plan deductible, resulting in lower utilization of care, and potentially resulting in poorer health outcomes and higher costs.

In response to a June 2019 Executive Order, the U.S. Department of Treasury released [Notice 2019-45](#), allowing HSA-HDHP plans the flexibility to cover specified medications and services used to treat chronic diseases prior to meeting the plan deductible. This long-awaited announcement is the result of over a decade of advocacy by the University of Michigan V-BID Center and its many collaborators.

ADDITIONAL PREVENTIVE CARE BENEFITS TO BE PROVIDED BY HIGH-DEDUCTIBLE HEALTH PLANS

[Recent guidance](#) expands the IRS "safe harbor" to permit coverage of additional evidence-based services prior to meeting the plan's deductible, which increases both the attractiveness and clinical effectiveness of HSA-HDHPs. Such enhanced coverage will better align consumer engagement with provider payment reform initiatives. This would help mitigate cost-related non-adherence, enhance patient-centered outcomes, allow for premiums lower than most PPOs and HMOs, and substantially reduce aggregate health care expenditures.

UNIVERSITY OF MICHIGAN CENTER FOR VALUE-BASED INSURANCE DESIGN

Value-Based Insurance Design ([V-BID](#)) is built on the principle of lowering or removing financial barriers to essential, high-value clinical services. V-BID plans align patients' out-of-pocket costs, with the value of services. These innovative principles are designed with the tenets of '[clinical nuance](#)' in mind. These tenets recognize that 1) medical services differ in the amount of health produced, and 2) the clinical benefit derived from a specific service depends on the consumer using it, as well as when, where, and by whom the service is provided.

University of Michigan faculty first conceptualized and coined the V-BID concept and have guided this approach from early principles to adoption in the private and public sectors. Since its inception in 2005, the University of Michigan Center for Value-Based Insurance Design has led efforts to promote the development, implementation, and evaluation of innovative health benefit designs that improve quality and lower costs - the primary goals of healthcare reform.

For more information, please email us at vbidcenter@umich.edu or visit www.vbidcenter.org.