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Insurance Regulation

Groups Urge More Flexibility for High-Deductible Plans



By Sara Hansard

July 21 — High-deductible health plans should be able to cover more services needed by people with chronic conditions without their having to meet annual deductibles, a health-care consumer group and an organization representing Fortune 500 companies said July 21.

“It’s critical that those plans be permitted the flexibility to cover more services pre-deductible for lower- and moderate-wage workers” in both employer-sponsored plans and in Affordable Care Act marketplace plans, said Lydia Mitts, senior policy analyst with Families USA. High-deductible plans, which typically include health savings accounts, carry lower premiums and may be more affordable for lower-income families, she said.

Currently, Internal Revenue Service regulations limit preventive care services that can be covered by high-deductible plans without meeting deductibles to primary care services, according to Kathryn Spangler, senior vice president of health policy for the American Benefits Council, which represents companies covering about 100 million Americans. The ACA’s 40 percent excise “Cadillac tax” that is to start in 2018 on high-cost company plans is “the foot on the gas pedal of the move to high-deductible health plans,” and many large employers soon may be offering only high-deductible plans, she said.

Mitts and Spangler spoke at a Capitol Hill briefing sponsored by the Smarter Health Care Coalition, which includes health plans, life science companies, employer groups, provider-related organizations, trade associations, academia, foundations and consumer groups.

Cost Sharing in Medicare Part D

Gains achieved in adherence to good treatment and drug compliance since the Medicare Part D pharmaceutical coverage program was implemented “are now going away due to cost sharing,” said A. Mark Fendrick, professor of internal medicine and health management and policy at the University of Michigan. “People are not going to their clinicians; they are not getting their diagnostic tests,” he said.

“The reason why we cannot lower cost sharing for these high-value services in Medicare is interpretation of the anti-discrimination laws,” said Fendrick, who also directs the University of Michigan’s Center for Value-Based Insurance Design (V-BID).

Fendrick called for passage of the Strengthening Medicare Advantage through Innovation and Transparency for Seniors Act (H.R. 2570) passed by the House June 17 and a companion bill, the Value-Based Insurance Design Seniors Copayment Reduction Act (S. 1396), introduced in the Senate May 20. The latter includes a V-BID demonstration project allowing Medicare Advantage plans to lower copayments and coinsurance to encourage beneficiaries to use high-value, evidence-based medical services to better manage chronic conditions. The Center for Medicare and Medicaid Innovation may issue a request for proposals this summer or early fall to allow a V-BID demonstration in Medicare, he said.

‘One-Size-Fits-All.’

Cost sharing required of patients in Medicare or private plans is determined in a “one-size-fits-all way,” Fendrick said. “My patients pay the same out-of-pocket for lifesaving drugs for diabetes, cancer and heart disease as they do for drugs that make your toenail fungus go away or your hair grow back,” said

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Takeaway: High-deductible health plans need flexibility to cover preventive services for people with chronic conditions without requiring cost sharing by patients.

Current Regulations: Current IRS regulations limit high-deductible plans to covering only primary care preventive services without meeting deductibles.

Fendrick, who is also a physician.

Cost sharing is rising rapidly, especially with respect to annual deductibles that patients must pay before health insurance provides coverage, Fendrick said. "The things I beg my patients to do, the things that I am benchmarked on as a clinician, now my patients increasingly have no coverage for those services whatsoever while faced with rapid and growing deductibles," he said.

Many preventive services that must be covered without cost sharing under the ACA "do not bear out in terms of either health productivity or value compared to these secondary preventive services that are excluded," Fendrick said.

Allow 'High Value' Plans

Fendrick called for allowing a "high value health plan," which would cover services that evidence shows are effective and which would allow health plans to choose what to cover without cost sharing. Research has found such plans would have "substantially lower" premiums than preferred provider organizations and health maintenance organizations, while they would have higher premiums than existing high-deductible health plans "because they would cover more things, but only those things that we should be spending more money on," he said.

A model developed under an independent evaluation by the University of Minnesota suggested that 40 million Americans would enroll in such plans, some moving down from "overly rich plans," while others may buy more coverage, including people who are still uninsured, Fendrick said. About 7.5 million taxpayers paid a tax penalty in the 2015 tax filing season because they didn't have health insurance coverage required by the ACA, IRS Commissioner John Koskinen said in a July 17 letter to members of Congress (139 HCDR, 7/21/15).

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