



SCHOOL OF PUBLIC HEALTH

CENTER FOR VALUE-BASED INSURANCE DESIGN
UNIVERSITY OF MICHIGAN

Motivation for Pre-deductible Coverage of Preventive Services Used to Treat Chronic Medical Conditions

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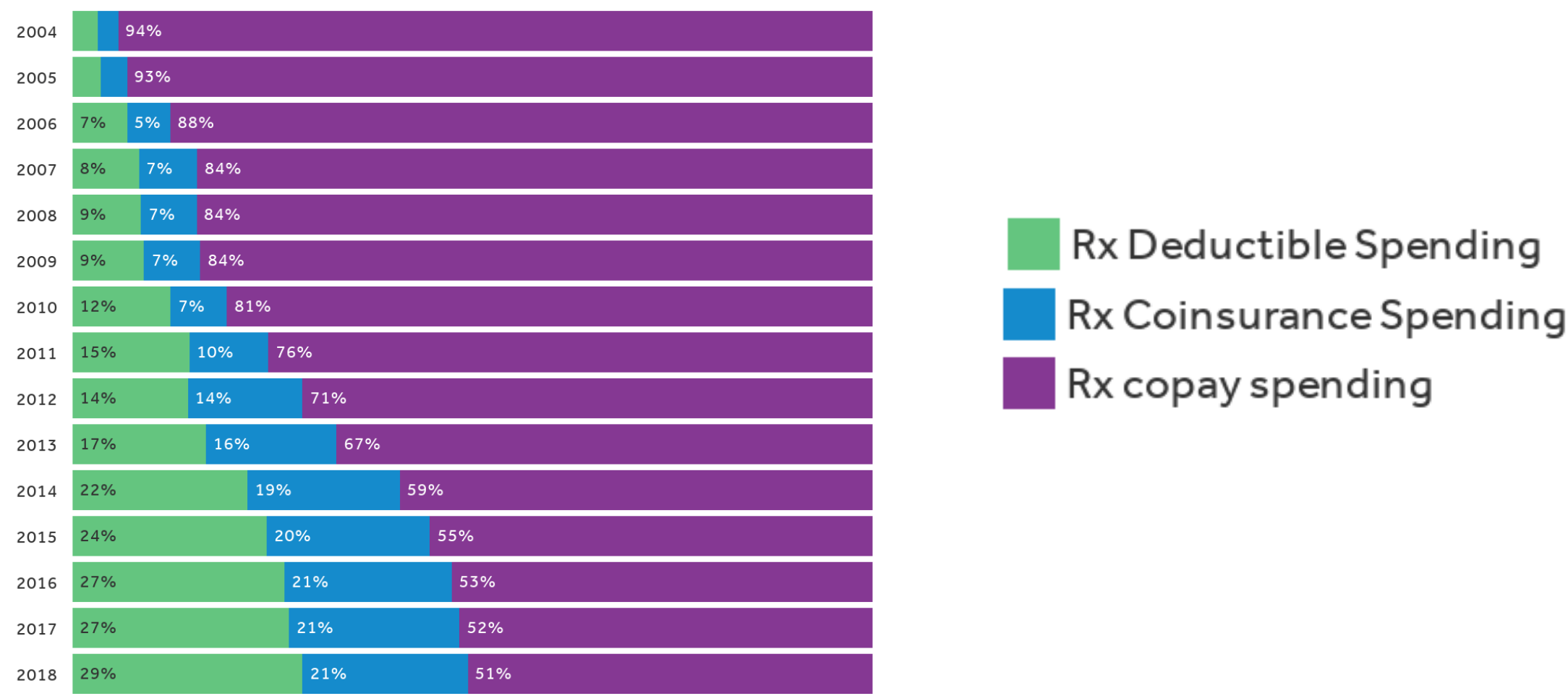


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Motivation for Pre-deductible Coverage of Preventive Services Used to Treat Chronic Medical Conditions

- Everyone (almost) agrees there is enough money in the US health care system; we just spend it on the wrong services and in the wrong places
- Moving from a volume-driven to value-based system requires a change in both how we pay for care and how we engage consumers to seek care
- The most common patient-facing strategy - consumer cost-sharing – is a ‘blunt’ instrument, in that patients in most instances pay more out of pocket for **ALL** care regardless of clinical value

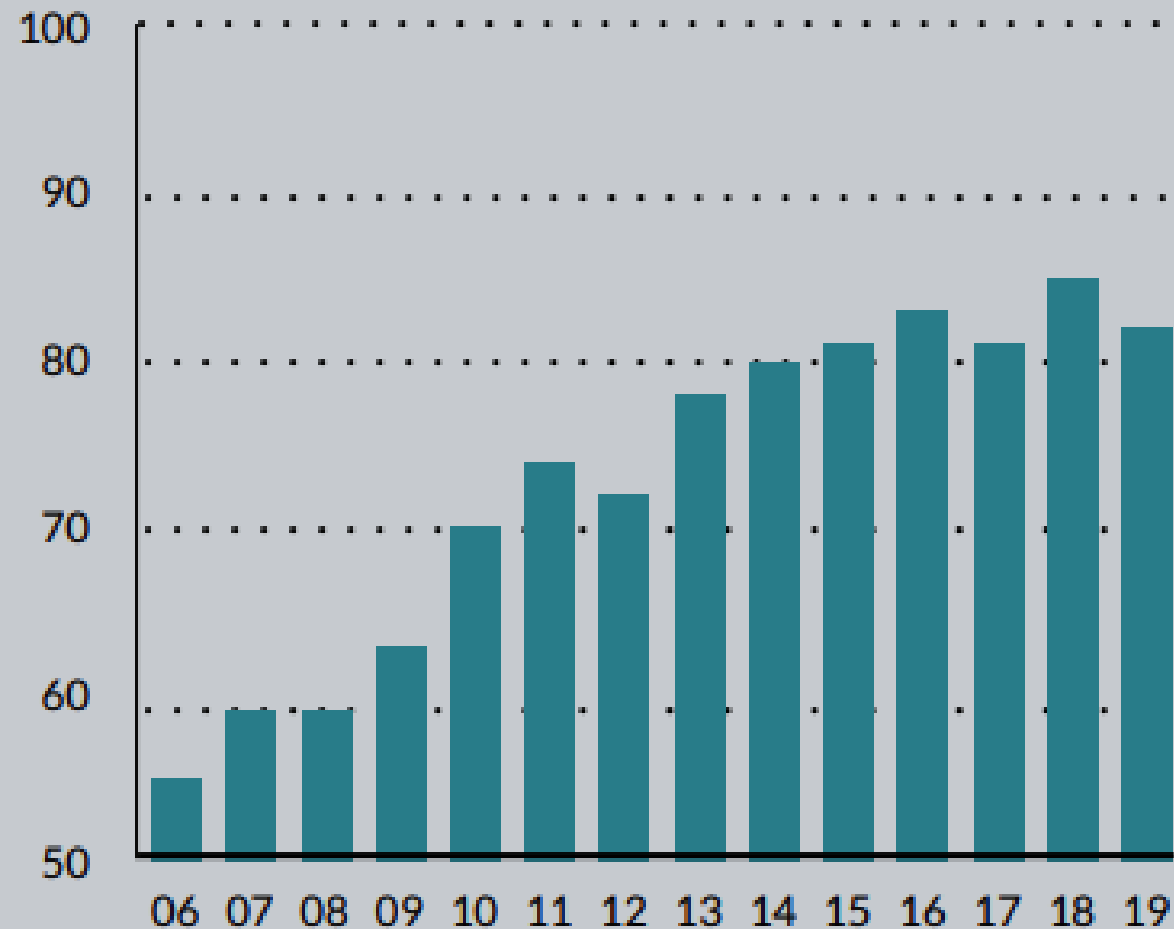
Distribution of cost-sharing payments for retail prescription drugs in large employer plans, by type of payment, 2004-2018



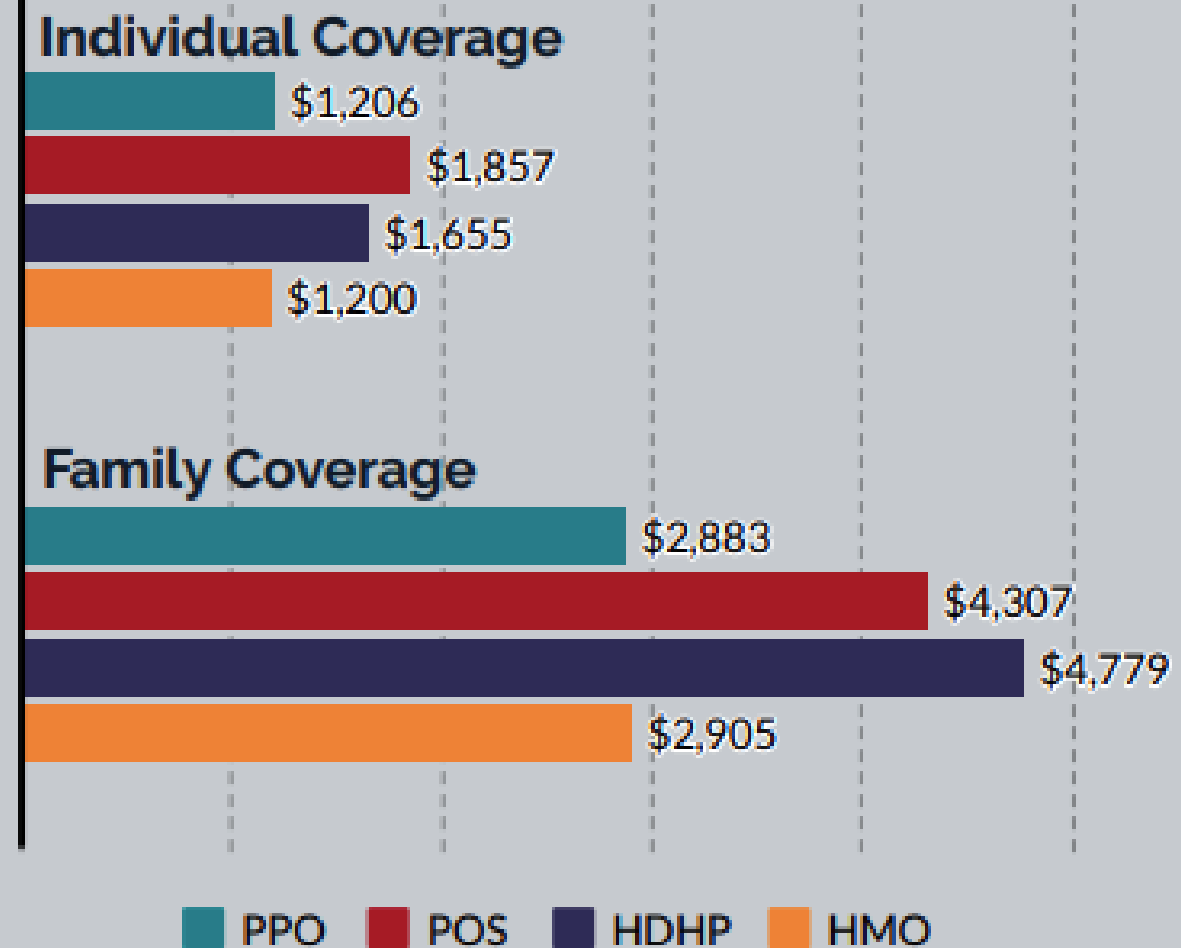
Source: KFF analysis of IBM Market Scan Commercial Claims and Encounters Database, 2004-2018. Accessed at: <https://www.healthsystemtracker.org/chart-collection/who-is-most-likely-to-have-high-prescription-drug-costs>

Americans Do Not Care About Health Care Costs; They Care About **What It Costs Them**

Percent of Americans With a Deductible



Average Deductible by Plan Type in 2019



Inspiration (Still)



“

I can't believe you had to spend a million dollars to show that if you make people pay more for something, they will buy less of it.

”

- Barbara Fendrick (my mother)

“Blunt” Cost-Sharing Worsens Health Care Disparities

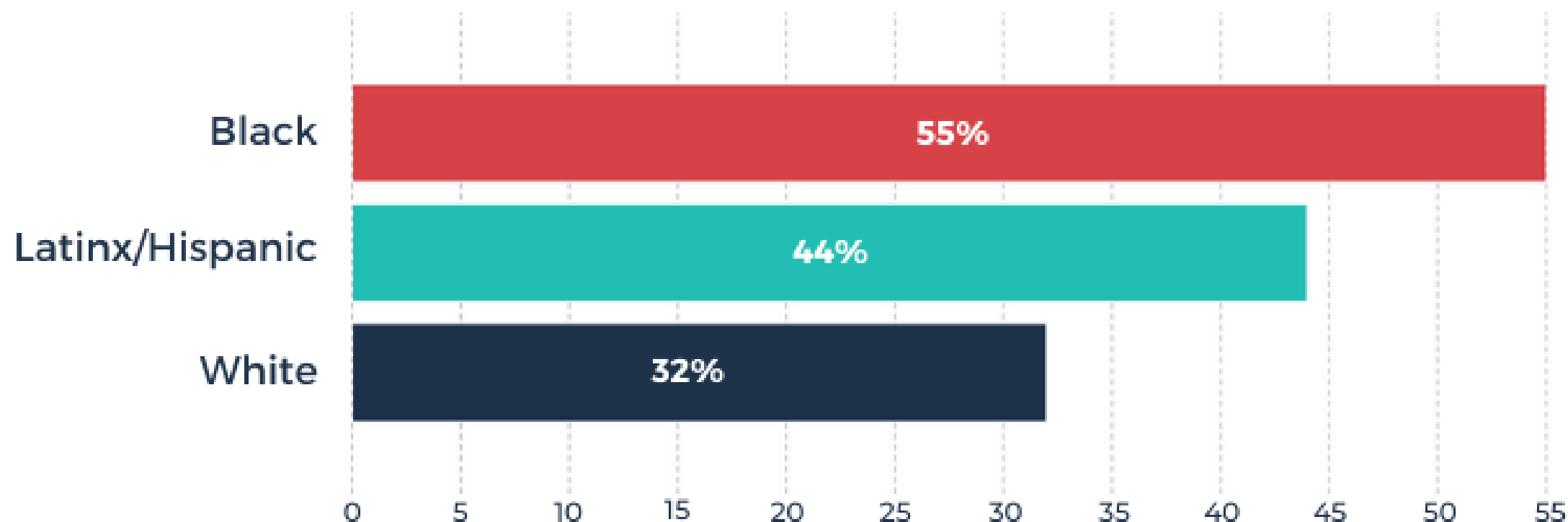
Effects of Increased Patient Cost Sharing on Socioeconomic Disparities in Health Care

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- Cost-sharing worsens disparities and adversely affect health, particularly among economically vulnerable individuals and those with chronic conditions
- A significant number of households do NOT have liquid assets to cover their plan deductible

Even when stratified by income level, Black and Hispanic adults report medical bill and debt problems at the highest rates.

Percent of adults ages 19–64 who had medical bill or debt problems in the past year



Source: Sara R. Collins, Gabriella N. Aboulafia, and Munira Z. Gunja, *As the Pandemic Eases, What Is the State of Health Care Coverage and Affordability in the U.S.? Findings from the Commonwealth Fund Health Care Coverage and COVID-19 Survey, March–June 2021* (Commonwealth Fund, July 2021).

Alternative to “Blunt” Consumer Cost Sharing: Value-Based Insurance Design (V-BID)

- Sets consumer cost-sharing on clinical benefit – not price
- Little or no out-of-pocket cost for high value care; high cost share for low value care
- Successfully implemented by hundreds of public and private payers
- Increases use of high value services, reduces health care disparities, lowers expenditures in some instances



2004 IRS HSA- HDHP guidance: Until the deductible is met, coverage does not include "any service or benefit intended to treat an existing illness, injury, or condition"

PREVENTIVE CARE COVERED

Dollar one



CHRONIC DISEASE CARE

NOT covered until deductible is met





U.S. DEPARTMENT OF THE TREASURY

PRESS RELEASES

Treasury Expands Health Savings Account Benefits for Individuals Suffering from Chronic Conditions



IRS Notice 2019-45: Additional Preventive Care Benefits Permitted to be Provided by a High Deductible Health Plan Under § 223

PURPOSE

This notice expands the list of preventive care benefits permitted to be provided by a high deductible health plan (HDHP) under section 223(c)(2) of the Internal Revenue Code (Code) without a deductible, or with a deductible below the applicable minimum deductible (self-only or family) for an HDHP.

IRS Notice 2019-45: Characteristics of Preventive Services Used to Treat Chronic Conditions Eligible for Coverage Prior to Meeting HSA- HDHP Deductible

- The service or item is low-cost;
- There is medical evidence supporting high cost efficiency (a large expected impact) of preventing exacerbation of the chronic condition or the development of a secondary condition; and
- There is a strong likelihood, documented by clinical evidence, that with respect to the class of individuals prescribed the item or service, the specific service or use of the item will prevent the exacerbation of the chronic condition or the development of a secondary condition that requires significantly higher cost treatments

List of services and drugs for certain chronic conditions classified as preventive care under Notice 2019-45

Preventive Care for Specified Conditions	For Individuals Diagnosed with
Angiotensin Converting Enzyme (ACE) inhibitors	Congestive heart failure, diabetes, and/or coronary artery disease
Anti-resorptive therapy	Osteoporosis and/or osteopenia
Beta-blockers	Congestive heart failure and/or coronary artery disease
Blood pressure monitor	Hypertension
Inhaled corticosteroids	Asthma
Insulin and other glucose lowering agents	Diabetes
Retinopathy screening	Diabetes
Peak flow meter	Asthma
Glucometer	Diabetes
Hemoglobin A1c testing	Diabetes
International Normalized Ratio (INR) testing	Liver disease and/or bleeding disorders
Low-density Lipoprotein (LDL) testing	Heart disease
Selective Serotonin Reuptake Inhibitors (SSRIs)	Depression
Statins	Heart disease and/or diabetes

Significant Employer Uptake of IRS Rule Expanding Pre-Deductible Coverage of Chronic Disease Services

